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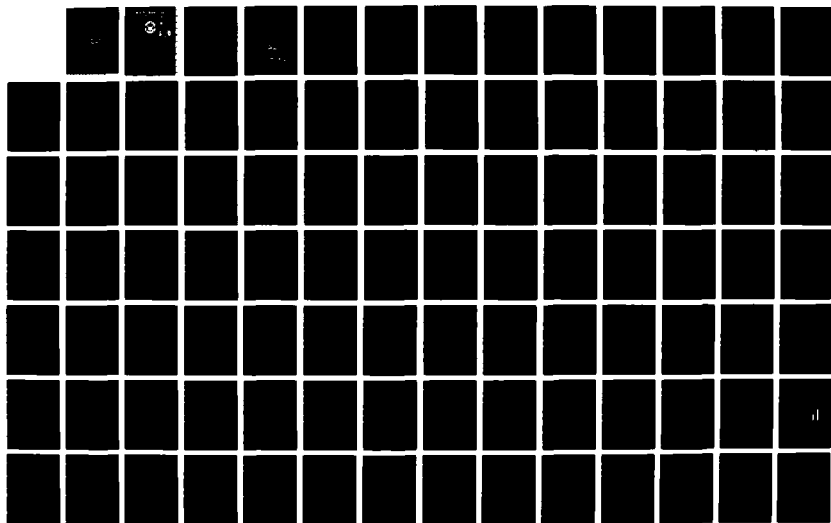
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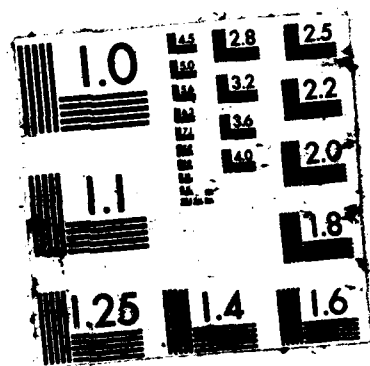
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AN ASSESSMENT OF THE PIERSIDE
PROCUREMENT INITIATIVE

by

Glenn Canigiani

June 1987

Thesis Advisor:

David V. Lamm

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An Assessment of the Pierside Procurement Initiative

by

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Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

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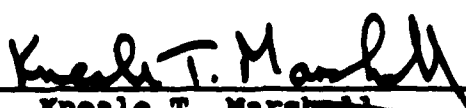

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ABSTRACT

→ The research focused on the background, implementation, and operation of Pierside Procurement sites throughout the United States and overseas. The research was conducted by a review of directives and policy guidance, field interviews, and visits with key individuals involved in the Pierside Procurement initiative. The intent of the study was to analyze the Pierside Procurement initiative, ascertain shortcomings, and make recommendations that offer viable solutions to these problems. This study also recommends areas for future study that may provide insight into improving the Pierside Procurement process. *Thesis*

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I. INTRODUCTION

A. GENERAL

NAVSUP [Naval Supply Systems Command], in conjunction with the Fleet and Type Commanders, has initiated a large number of actions to improve the process by which we purchase our supplies and services on the open market. These initiatives will not only correct systemic purchasing deficiencies but will also provide direct benefits to forces afloat by significantly reducing afloat purchasing workload, improving afloat training, and providing improved shore responsiveness and assistance. The net result of our fleet purchase improvement program will be to ensure the fleet is receiving responsive purchasing support without sacrificing accountability and integrity. The cornerstone of our efforts in this program is the establishment of pierside purchasing offices . . . to relieve ships of the burden of processing open purchase requirements by providing ships dedicated and responsive purchasing support.

E.K. Walker, Jr. [Ref. 1]

Pierside Procurement came to the fleet in February 1985 with the establishment of the first Pierside Procurement office at the Naval Supply Center (NSC) Norfolk. (Pierside Procurement and Pierside Purchasing are used interchangeably throughout this thesis.) The concept of Pierside Procurement is to centralize shipboard small purchasing at ashore Naval Supply Centers or Naval Regional Contracting Centers (NRCCs) to alleviate perceived weaknesses in afloat small purchasing operations. The Federal Acquisition Regulation (FAR) defines a small purchase as: ". . . an acquisition of supplies, nonpersonal services and

construction in the amount of \$25,000 or less." [Ref. 2:13.101¹] The decision to implement Pierside Procurement transferred the bulk of purchasing from the ships to NSC/NRCC Pierside Procurement offices as a remedy for these perceived weaknesses.

Incidents such as those aboard the USS Kitty Hawk, at Naval Air Station Miramar, and Lockheed's \$640 toilet seat, have provided the impetus for Pierside Procurement. It was discovered that the USS Kitty Hawk's supply system was in such disarray that millions of dollars in equipment and supplies were unaccounted for. Evidence of price-fixing, fraud, kick-backs, cover-ups, and black market sales were alleged aboard Kitty Hawk. These allegations lead to the arrests of seven people purported to be involved in a scheme to smuggle spare parts for the Navy's F-14 Tomcat to Iran. [Ref. 3:p. 19]

The Naval Air Station (NAS) Miramar controversy concerning overpricing of ashtrays and other spares, led to the dismissal of three officers for irregularities in "the purchase of spare parts during the period 1981 to the present [July 1985]. . . ." [Ref. 4:p. 88] The officers relieved included: Rear Admiral Thomas J. Cassidy, Jr., Commander of the Fighter Airborne Early Warning Wing/Pacific and Commander of the Naval Air Station from 1977 to 1979;

¹Reference refers to paragraph citations in the Federal Acquisition Regulation (FAR). Henceforth, all references to FAR will denote paragraph citations vice page numbers.

Captain Gary E. Hakanson, Commander Naval Air Station Miramar, California and Commander Jerry L. Fronaburger, the NAS Miramar Supply Officer.

The \$640 toilet seat cover was "discovered" by Maine Senator William Cohen. Senator Cohen was informed of the toilet seat by a contractor in Washington state who had been asked to bid on it in January of 1985. The toilet seat, which is really a corrosion-resistant plastic case that fits over a toilet, is used aboard the Navy's P-3C Orion.

In addition to the aforementioned problems, some of the Navy's other procurement horror stories included:

- paying \$435 for a claw hammer
- buying a \$900 wrench
- procuring a coffee maker for \$3,046.

Thus, centralized purchasing in the form of Pierside Procurement was one of the Navy's responses to the recent procurement horror stories.

A message issued by the Commander of the Naval Supply Systems Command (COMNAVSUPSYSCOM) stated:

To assist forces afloat with their purchase function and relieve them of most of this burden, a decision has been made to transfer the bulk of afloat purchasing ashore. [Ref. 5]

A supplemental message from the Commander-in-Chief of the U.S. Pacific Fleet (CINCPACFLT) stated:

As a result of USS Kitty Hawk investigation, COMNAVSUPSYSCOM is providing dedicated pierside contracting support for afloat commands starting 1 November 1985. [Ref. 6]

Centralized purchasing was envisioned to offer the following advantages to shipboard procurement:

- Relieve shipboard supply personnel of the purchasing burden, thus saving valuable manhours (e.g., calls to vendors for quotes would no longer have to be made).
- Competition would increase because purchases would be made by experienced procurement experts.
- Procurement regulations would be more rigidly adhered to at Pierside Procurement offices than aboard ships due to the higher level of expertise. Thus, past horror stories would be avoided.
- Comprehensive technical screening of all requisitions at the Pierside Procurement Office would yield monetary savings by crossing open purchases to stock numbers.
- Fleet readiness would be increased by the dedication of Pierside Procurement locations for ships only. [Ref. 7:p. 21]

Additional guidance from COMNAVSUPSYSCOM stated:

- Pierside Procurement offices were to process on-site all small purchases of \$10,000 and less except workload requiring specialized procedures.
- Pierside Procurement offices were to maintain a three day average Procurement Administrative Lead Time (PALT). PALT was defined as the number of calendar days that elapsed from receipt of a workable purchase request (which had been verified for open purchase by technical) to the award of the order.
- All Pierside Procurement sites were to submit a separate DD 1057 (Monthly Procurement Summary of Actions \$25,000 or Less) for pierside operations. [Ref. 8]

Pierside Procurement was thrust into the spotlight as the solution to the procurement "crisis." Its time had come and Fleet Commanders, Type Commanders (TYCOMS), Commanding Officers, and Supply Officers generally viewed it as a "good thing." However, the jury was still out as to whether

Pierside Procurement could live up to its advanced billing. The Navy entered the Pierside Procurement era cautiously optimistic with the debacles of the Kitty Hawk, NAS Miramar, and \$640.00 toilet seat still firmly implanted in everyone's mind.

B. OBJECTIVES

The primary emphasis of this study is to assess the effectiveness of the Pierside Procurement initiative. Questions to be answered include:

- How effectively has Pierside Procurement met the goals established by COMNAVSUPSYSCOM?
- Is PALT the best gauge for assessing Pierside Procurement?
- How do various sites measure PALT?
- What are the problems associated with pierside purchasing?
- What are the benefits of pierside purchasing?

PALT is the primary method for assessing the effectiveness of pierside operations. As previously stated, a PALT goal of three days was initially promulgated by COMNAVSUPSYSCOM. NAVSUP stressed maximum use of Blanket Purchase Agreements (BPAs) and confirming orders to meet this goal. On 1 January 1986, NAVSUP revised PALT to include a technical screening; subsequently, the goal for PALT, including the technical screen, was revised to five days. The various pierside sites measure PALT using a variety of methods. This analysis will investigate the

various methods of measuring PALT and determine whether PALT is the most accurate way to assess Pierside Procurement.

Also, problems associated with the pierside operation will be analyzed, benefits will be highlighted, and the role of the new Automation of Procurement and Accounting Data Entry (ADAPE) System in Pierside Procurement will be discussed.

C. RESEARCH QUESTIONS

Based on the previously cited objectives, the following primary research question is addressed in this study: How effective is the Pierside Procurement effort and is it a viable solution to the shipboard procurement problem? In support of the primary research question, the following subsidiary questions are addressed:

- 1) What are the key aspects of the shipboard procurement problem?
- 2) What were the principal problems in implementing Pierside Procurement?
- 3) What are the principal benefits of Pierside Procurement?
- 4) What are the present standards for measuring the effectiveness of Pierside Procurement and are they adequate?
- 5) Will the use of the new APADE system improve the Pierside Procurement effort?

D. RESEARCH METHODOLOGY

The vast majority of the information contained in this research effort was obtained through on-site visits and

interviews. On-site visits and interviews were held at Naval Supply Centers in Norfolk, San Diego, Charleston, and Oakland, NSC San Diego Long Beach Detachment, COMNAVSURFLANT (CNSL), COMNAVSURFPAC (CNSP), Readiness Support Group (RSG) Norfolk, RSG Charleston, COMNAVSUPSYSCOM and fifteen ships on both coasts. Interviews were conducted at ten Pierside Procurement sites with supervisors, buyers (purchasing agents), and technical personnel. Additionally, customers were interviewed as their requisitions were being processed at the Pierside Procurement offices. While at the various sites, literature was obtained and research conducted into the various aspects of the Pierside Procurement effort.

Additionally, telephone interviews proved to be a valuable source of information. Telephonic interviews were held with Commander, Naval Air Force, U.S. Atlantic Fleet (COMNAVAIRLANT) headquarters, Commander, Submarine Force, U.S. Atlantic Fleet headquarters, NSC Jacksonville, NSC Puget Sound, NRCC Philadelphia, RSG Mayport, fifteen ships homeported in Norfolk, San Diego, and Charleston and with thirty contractors in the areas of Norfolk, Charleston, and San Diego.

Publications utilized included the Federal Acquisition Regulations (FAR), Department of Defense (DOD) FAR Supplement, Afloat Supply Procedures (NAVSUP P-485), and the Navy Supply Acquisition Regulation Supplement (SUPARS 560).

Federal and DOD regulations and various periodicals and publications relating to the fields of Federal procurement and afloat purchasing were also used.

E. SCOPE OF THE STUDY

This study focused on the Pierside Procurement operations at the Naval Supply Centers at Norfolk, San Diego, Charleston, and Oakland and at NSC San Diego, Long Beach Detachment where on-site visits were conducted. These five activities provided a good cross-section of Pierside Procurement operations. Primary emphasis was placed on looking at the procedures for determining PALT at the various sites. Also, the technical screening effort, buyer methodology, and other relevant areas were examined. Travel and time constraints precluded visits to all Pierside Procurement sites; however, phone conversations with NSC Jacksonville, NSC Puget Sound, and NRCC Philadelphia provided additional insights into their pierside operations.

Customers were queried by shipboard visits and/or phone conversations in Norfolk, San Diego, and Charleston. Additionally, customers were interviewed at the various sites as they awaited requisition processing. Customer surveys attempted to analyze the benefits and problems associated with the Pierside Procurement initiative. Initially, Commanding Officers were to be included as a part of the customer surveys; however, time constraints precluded these interviews.

Type Commanders' (TYCOMs) inputs were solicited and analyzed. All TYCOMs provided keen insights into pierside operations that served their ships. CNSP and CNSL, with approximately 175 and 200 ships respectively, were found to monitor the program closely and have compiled numerous statistics to assess the effectiveness of the program.

Finally, ten contractors in each geographic area of Norfolk, San Diego, and Charleston were surveyed as to the impact of the Pierside Procurement initiative on their business. The companies were chosen randomly with no concern for commodity, location, or dollar value of business with the Navy.

The Pierside Procurement initiative is a relatively new and dynamic program. Thus, improvements are continually being made. Most of the research and many of the interviews and visits were conducted in the February 1987-March 1987 timeframe; therefore, the information/data presented in this paper are current only through the aforementioned period.

F. ORGANIZATION OF THE RESEARCH

The research is divided into five chapters. In this chapter, the objectives have been identified, scope defined, and methodologies disclosed.

Chapter II provides background as to the concept of Pierside Procurement and why it was initiated. The implementation process is also addressed. Additionally, it briefly looks at open purchase procedures utilized before

Pierside Procurement and those currently being used at the Pierside Procurement offices.

Chapter III studies the problems as seen by the various customers, Naval Supply Centers, TYCOMs, and Inspectors.

Chapter IV offers an overall analysis of the Pierside Procurement operation. It looks at what the program has accomplished as compared to previously established goals.

Chapter V sets forth conclusions and recommendations regarding the present day Pierside Procurement operation and addresses future problems/issues that have yet to be resolved.

II. BACKGROUND, IMPLEMENTATION, AND PROCEDURES

A. RECENT HORROR STORIES

The past five years have proven to be turbulent times in the realm of Government procurement. Numerous articles have appeared concerning the Kitty Hawk, NAS Miramar, \$640 toilet seats, \$435 hammers, and several other similar cases. However, when one considers the magnitude of Government purchases per year, the instances of "perceived" irregularities are dwarfed by the number of good, cost-efficient actions.

Given that the Defense Department each year signs some 13 million contracts with more than 300,000 contractors, it is not unreasonable to suppose that an occasional horror story will turn up despite the best efforts and intentions. The irony is that virtually every case of serious fraud and abuse which the media have glorified of late has been uncovered by the Defense Department's own Office of the Inspector General. [Ref. 9:p. 20]

One irregularity is too many, but with the sensationalism of the press and Congress, it seems as if everyone dealing with procurement in the Department of Defense and industry is a cheat, thief, or crook. Once in a while, a mistake is going to be made and if the press would report the whole story the perceived irregularities would be more in line with the actual magnitude of the problem.

A case in point is the \$640.00 toilet seat. Senator Cohen was informed by a contractor from the state of Washington that the Government was paying \$34,560.00 for 54

toilet covers. To the typical Midwesterner, this purchase was simply outrageous because he could go down to K-Mart and buy a toilet seat for \$10.00. However, this "toilet seat" was actually a heavy molded plastic cover for the entire toilet system of the P-3 aircraft. (The toilet seats, themselves, cost only \$9.37.) Lockheed, the manufacturer of the molded plastic cover, had made only a 13.4% profit on the cover, but eventually lowered the price to \$100.00 apiece and gave the Department of Defense a \$29,165.00 rebate. [Refs. 9:p. 19; 10:p. 23]

Another case is the NAS Miramar incident. NAS Miramar made the "news" because the Navy procured ashtrays for their E-2C aircraft at a price of \$659.00. The ashtrays, which had 11 moving parts and took 13 hours to build, were supplied to the Navy in 1983 by Grumman. It was later discovered that an alternate source for the ashtray, the Naval Air Rework Facility (NARF) at North Island, California, had quoted a price of \$1,288.81 for the same ashtray on 1 June 1985. Admittedly, the Navy made some mistakes in the buy (e.g., buying the ashtray in lots of ones or twos and having them manufactured out of normal cycles), but Grumman had in fact used Government-approved pricing procedures. [Ref. 4:p. 88]

The ramifications from the \$659.00 ashtray were attention-grabbing and far-reaching. Three officers were relieved of their duties at NAS Miramar for irregularities

in "the purchase of spare parts during the period 1981 to the present [June 1985] and the disregard of a September 1984 Contract Management Review Report." [Ref. 4:p. 88] Although the base commander was reinstated to his former position, the message was loud and clear--irregularities in the area of procurement were not going to be tolerated at any level. [Ref. 4:p. 88]

Once again, spare parts pricing became an issue. Although Grumman made very little profit from the ashtrays, they issued full credit to the Navy. More importantly, it became apparent that the procurement process was flawed and needed an overhaul. As Robert J. Myers, Senior President, Grumman Corporation, said, "Government and industry must work together to solve problems of the high cost of spares." [Ref. 4:p. 88]

These two incidents helped propel Navy procurement into the front pages of the nation's newspapers. The "final blow" and the case that provided the impetus for the Pierside Procurement initiative was the USS Kitty Hawk incident. In June of 1985, Petty Officer First Class Robert Jackson "blew the whistle" on the USS Kitty Hawk. Jackson, who served as an internal auditor onboard Kitty Hawk, collected 1100 pages of notes and documents in what he described as ". . . appalling acts of waste, fraud, auditing forgeries, and altered books in the handling of spare parts and other equipment." [Ref. 11:p. 18] Jackson claimed that

the supply system contained ". . . no checks or balances, no accountability. It's a breeding ground for crooks." [Ref. 11:p. 18]

Jackson contended that the careless handling of supplies made it possible for a ring of international dealers in aircraft parts to acquire more than \$5 million in F-14 spare parts and smuggle them to Iran. The smuggling was easy, said Jackson, because of the ship's ". . . flawed supply system with minimal or no internal accounting." With one of the carrier's aviation storekeeper's among the seven people originally arrested for the smuggling scheme, Jackson and Congressman Jim Bales of San Diego believed the supply abuses and smuggling scheme to be related. [Ref. 3:p. 19]

This collection of procurement horror stories lead the Department of Defense to take a long hard look at the way it did business. Many initiatives were implemented to correct the wave of negative publicity that seemed to appear daily in the front pages of our newspapers. Some of the Navy's initiatives included: Buy Our Spare Parts Smart (BOSS), Pricefighter, the Pricing Hotline, improved training, improved policy guidance in the form of the Navy Supply Acquisition Regulation Supplement (SUPARS 560), inspection oversight, procurement automation in the form of APADE, improved staffing, better and more competition, active pursuit of refunds from overpriced spare parts and, finally,

Pierside Procurement. Though the details of the aforementioned initiatives are beyond the scope of this thesis, it should be noted that the Navy has actively pursued improvement in the area of procurement.

B. WHAT IS PIERSIDE PROCUREMENT?

Pierside Procurement actually began at NSC Norfolk in February 1985; however, its implementation fleet-wide began in October 1985. As previously mentioned, this was one of the initiatives started in response to past horror stories. Procurement of material outside of the Navy stock system (open purchases) has consistently been a difficult area for shipboard personnel and one that needed immediate improvement. Centralized procurement in the form of Pierside Procurement was initiated as the remedy to the shipboard procurement problem.

Why Pierside Procurement? An official at NAVSUP said,

The reason for Pierside Procurement is obvious. Our shipboard Supply Officers are having problems making purchases and we cannot afford any more headlines. Experts at central locations are better equipped to make the difficult buys than our shipboard Supply Officers.

Opinions among TYCOM representatives, Naval Supply Center representatives, Pierside Procurement supervisors, and shipboard Supply Officers vary as to why we have Pierside Procurement, but the two most common responses were in consonance with the NAVSUP official's opinion:

- 1) Shipboard Supply Officers cannot make open purchases and "experts" are better equipped to handle the problems.
- 2) We do not need any more horror stories.

In fact, of the over forty ships surveyed and Supply Officers questioned, 97% of them said they were relieved to get rid of the purchasing function. They felt that Pierside Procurement offices were better equipped to handle purchase functions due to a lack of personnel and expertise aboard ship. Even the Supply Officers of the larger ships such as submarine tenders, destroyer tenders, and aircraft carriers, though they were not totally "sold" on Pierside Procurement, emphasized that they did not want the purchasing function returned.

The following quote alludes to the previously cited reasons for the implementation of Pierside Procurement.

. . . . Wide-spread media attention and Congressional interest in the material procurement issue were sparked by the NAS Miramar E-2C ashtay procurement incident and the JAG [Judge Advocate General] Manual investigation aboard Kitty Hawk. . . . The CNOs [Chief of Naval Operations] endorsement on the Kitty Hawk JAG Manual investigation tasked NAVSUP to provide dedicated pierside contracting support for fleet units beginning 1 November 1985. . . . Over the past decade, procurement actions by afloat units have grown in both scope and volume far exceeding the original intent of NAVSUP in delegating procurement authority to afloat Supply Corps officers--to procure emergency supplies or services to meet a ship's operational requirements and to pay port services costs incurred while operating outside of the United States . . . problems in afloat procurement were well known prior to their being surfaced in the media at Miramar and onboard Kitty Hawk. These problems are not unique to aircraft carriers or air stations . . . COMNAVAIRLANT as well as other Type Commander's Supply Management Inspections (SMIs) have repeatedly identified a litany of procedural errors and flagrant abuses; failure to compete

or justify sole source procurements, splitting purchase orders to exceed procurement authority limitations, failure to document price reasonableness, no justification for procurement of material available from standard stock, procurement actions with large businesses, . . . failure to utilize federal supply schedules, etc. These errors and abuses . . . have served as the catalysts for change in afloat procurement. [Ref. 12:p. 95]

The above statement by COMNAVAIRLANT nicely summarizes the reasons for Pierside Procurement. Pierside Procurement was implemented to try to solve the aforementioned myriad of procurement problems aboard ship. Centralizing the shipboard procurement function at Naval Supply Centers and Naval Regional Contracting Centers was expected to yield quick and positive results.

The Pierside Procurement initiative was started with the intent of transferring the bulk of the Navy's 410,000 open purchase actions per year to the pierside offices. An initial sampling of perceptions on what this initiative would involve included:

In September 1985, the Naval Supply Systems Command implemented a plan to establish Pierside Purchasing Offices within walking distance of Fleet Customers. The main objective of this initiative was to provide dedicated, convenient, responsive purchasing support to the fleet thereby relieving shipboard personnel of the burden of processing open purchase requirements. Pierside Purchasing operations are currently being performed at 11 NAVSUP activities worldwide. [Ref. 13]

. . . . The main objective of Pierside Purchasing is to relieve ships of the burden of processing open purchase requirements while ensuring they receive the responsive purchasing support required to maintain readiness and meet operational commitments. [Ref. 8]

Purpose of pierside contracting services is to relieve ships of unnecessary contracting workload while continuing service within reasonable lead times. Pierside

contracting services will . . . dramatically increase shore activity responsiveness to afloat purchase requisitions. Concept envisions fully manned trailers with technical library, phones, etc., best positioned for direct access by ship personnel processing ship requisitions exclusively. . . . [Ref. 6]

Since 1 October 1985, the Navy has changed its way of delegating procurement authority with a goal of increasing competition and improving procurement administration. A major facet of the changing environment has been the establishment of pierside procurement offices to better support afloat requirements. . . . These ashore facilities provide dedicated and experienced procurement specialists who are familiar with the existing commercial market and have proven to produce lower costs, better products, and shorter administrative leadtimes. [Ref. 14]

Pierside Procurement was initiated by NAVSUP . . . for the purpose of assisting forces afloat by providing expeditious handling of all "high priority" ships' non-standard hardware requirements less than \$10,000. The main thrust of NSC Norfolk's Pierside Procurement is to improve responsiveness of procurement support to the fleet by reducing the Procurement Action Lead Time to process the requirement. Additionally, this dedicated support would relieve ship's supply personnel of the burden of processing open purchase requisitions while still providing dedicated and responsive procurement support. [Ref. 15]

C. PROPOSED IMPLEMENTATION OF PIERSIDE PROCUREMENT

NAVSUP initially developed a four-phased plan to effect the smooth transition of shipboard procurement functions to the Pierside Procurement offices at the Naval Supply Centers and Naval Regional Contracting Centers. The plan was predicated upon the establishment of local offices within walking distance of the ships and upon the hiring of an additional 360 purchasing, CMR (Contract Management Review), and technical personnel to insure ". . . that the fleet

receives the dedicated responsive purchasing support it requires." [Ref. 16] (See Appendix A)

Phase I called for the establishment of temporary/or expansion of permanent Pierside Purchasing offices. Initially, 60 personnel from shore support branches were to be reassigned to these offices. The estimated completion date of Phase I was 15 October 1985. Amplifying instructions from NAVSUP stated:

Execution of Pierside Purchasing by 15 October 1985 may necessitate requesting TYCOM/NAVSTA [Naval Station] assistance to obtain office space, telephones, desks, and other support equipment. Funding for set up and initial operations of pierside offices will be provided in your FY 86 FOP [Financial Operating Plans]. It is recognized that reassignment of personnel to staff Pierside Purchasing may temporarily result in increased PALT for shore contracting requirements; nevertheless, it is incumbent upon us to make every effort to ensure the fleet receives the dedicated, responsive contracting support it requires to maintain readiness and meet operational commitments. [Ref. 16]

Phase II involved the completion of permanent offices and the hiring of 120 additional personnel. A completion date of 31 December 1985 was anticipated.

Phase III was the expansion of Pierside Procurement offices and the hiring of 100 additional personnel. The targeted completion date was 31 March 1986.

The final phase, Phase IV, was the completion of pierside office manning and expansion. The scheduled completion date was 30 July 1986. Additionally, Naval Supply Centers and Naval Regional Contracting Centers were

tasked to advise NAVSUP of the details concerning the completion of each of the four implementation phases.

Resources required for FY 86 were \$7.082 million (including labor) and a total end strength of 360 personnel for purchasing, Contract Management Reviews (CMRs), and technical functions. (See Appendix B)

The various field contracting activities handled the proposed four phased implementation in different ways. A brief look at NSC Norfolk's and NSC San Diego's implementation procedures for Phases I and II provide a flavor for how these procedures differed.

1. NSC Norfolk

In response to Phase I requirements, NSC Norfolk established three sites: one at Building W-135, one onboard Emory S. Land (AS-39) at Pier 20, and one at the Naval Amphibious Base (NAB) Little Creek. Amplifying guidance was provided regarding the role of Pierside Procurement offices in the open purchase process.

NSC Norfolk implemented Phase II by announcing the following expanded facilities/services as of 30 December 1985:

- Building 73, a trailer located in the vicinity of the carrier piers, would be open for business.
- Building 204, USS Emory S. Land T-shed, would be utilized for Pierside Procurement in the vicinity of the Destroyer and Submarine (D&S) Piers.
- Building 1216, NAB Little Creek, would be used for Little Creek based ships.

2. NSC San Diego

NSC San Diego's buying responsibilities involved three primary locations--Naval Station, San Diego; Naval Air Station, North Island; and Submarine Base, Point Loma. In response to Phase I, NSC San Diego established Pierside Procurement locations at NAS North Island, Building 334; Naval Station, Building 322; and at Building 140, Submarine Base.

Phase II saw permanent pierside offices established in Building 116 at the Naval Station and at Building 652 at North Island. Building 137 at the Submarine Base Point Loma was made available but could not be occupied until mid-January of 1986.

Amplifying information provided to NAVSUP indicated the Naval Station site was not within walking distance of the piers, all three sites required initial outfitting and renovation to make them "administratively functional and marginally habitable," and that forty-five applicants for the twenty-seven purchasing agents' jobs would be screened by 31 December 1985. [Ref. 17]

Phases III and IV were partially implemented and revised several times due to personnel and funding constraints. A closer look at the problem will take place in Chapter III.

D. SMALL PURCHASE PROCEDURES

1. Introduction

The advent of Pierside Procurement brought with it a whole new set of rules and regulations for the customer to follow. The Naval Supply Centers that were to house Pierside Procurement offices promulgated amplifying instructions to TYCOMs via messages, Naval Supply Center Flashes, and conferences concerning the new procedures to be followed and the services to be available. The Naval Supply Centers and the Naval Regional Contracting Centers each handled the implementation differently and not entirely in accordance with NAVSUP guidance. For example, NSC San Diego's guidance was:

Initial Pierside Procurement support will encompass only those requirements valued less than \$1,000, which can be placed on Blanket Purchase Agreements (BPAs). NSC plans to expand range of Pierside Purchase support in the near future as additional resources (personnel and equipment) become available. [Ref. 18]

Being the prototype site for Pierside Procurement, NSC Norfolk's initial policy was much more in-depth. It stated:

NSC procurement outlets will process Bearer Issue Group I and II Nonstandard Requisitions for supplies/services for afloat units, provide procurement and technical assistance and serve as a drop point for routine procurement requirements . . . the purpose of procurement outlets will be to assist customers in identification of standard stock alternatives through technical screening and to accomplish procurement actions for items determined to require this source of support. . . . [Ref. 19]

2. Open Purchase Methods

The preferred methods for making open purchases in order of preference are:

- 1) Blanket Purchase Agreements
- 2) Imprest Fund
- 3) Purchase Orders.

Pierside Procurement offices utilize the above three methods for making open purchases and additionally utilize the Delivery Order method. [Ref. 20:13.103¹]

3. Blanket Purchase Agreement

"The Blanket Purchase Agreement (BPA) method of small purchase is a simplified procedure of establishing 'charge accounts' with qualified sources of supply to cover anticipated small purchases of the same general category." [Ref. 20:13.201] BPAs eliminate the need to issue individual purchase orders by providing a means of placing a purchase request by making an oral call or informal memorandum. The afloat Supply Officer often has access to the BPAs negotiated by Naval Supply Centers, Naval Supply Depots (NSDs), Naval Shipyards (NSYs), and Naval Air Stations (NASs). Billing is also much easier because the activity holding the BPA receives a monthly bill itemizing each payment. [Ref. 21:72-6A]

¹Reference refers to paragraph citations for the Navy Supply Acquisition Regulation Supplement (SUPAR). Henceforth, all references to SUPAR will denote paragraph citations vice page numbers.

A BPA does not preclude competition if the BPA call is in excess of \$1,000 nor does it preclude distributing purchases if the call is less than \$1000. Justification for sole source requirements and small business set-asides still remain in effect.

4. Imprest Fund

The imprest fund provides a simple and economical method of purchase. Imprest funds are similar to petty cash funds utilized by most businesses. In its simplest form it is cash paid to a vendor at the time purchase transactions occur and to which reimbursements are made on a revolving basis. The fund consists of a set dollar limit of cash and dealer's invoices.

Purchases effected will not exceed \$150 per transaction or \$300 in an emergency. The maximum amount of the fund, excluding ships, shall be estimated monthly payments (not to exceed \$5,000) or \$500. Shipboard imprest funds shall not exceed \$1,000 onboard ships with Supply Corps Officers or \$500 for ships without Supply Corps Officers. [Ref. 20:13.402]

The impetus for the imprest fund is that most purchase organizations, including the government, have found that the cost to process a small dollar value purchase action through the purchasing branch far exceeds the value of the item being purchased. [Ref. 22:p. 27]

The imprest fund is much more involved than the above synopsis, but the relevant points to consider have been addressed. Imprest funds should be carefully monitored

due to the numerous controls required to prevent abuse. In fact, several TYCOMs actually discourage the use of imprest funds. If an imprest fund is not established onboard, the imprest fund of the Naval Supply Center, Naval Station or tender is normally available for use. [Ref. 21:72-7]

5. Purchase Orders

The purchase order is the basic tool of small purchasing and constitutes ". . . an offer by the Government to buy certain supplies and services in accordance with specified terms and conditions contained in the order."

[Ref. 20:13.501] There are two types of purchase orders:

1) Unilateral purchase order--this is an offer by the Government to buy certain goods or services upon specified terms and conditions. The contractor accepts the offer by providing the supplies/services or performing the work to the point where performance has occurred. The contractor is not legally obligated to perform. Acceptance of the DD Form 1155 is indicated by the aforementioned methods of acceptance.

2) A bilateral purchase order is accepted in writing by the contractor. The contractor signs the reverse of the DD 1155.

6. Delivery Orders

Delivery Orders are calls placed against existing contracts and can reduce the time and the cost of the buying process. Frequently, these orders are placed against indefinite delivery contracts. The indefinite delivery contract is based on a contract negotiated by a supply activity or NRCC with a commercial vendor. "This contract sets forth the terms and conditions under which the vendor will deliver specified supplies or services in response to

orders." [Ref. 21:72-6A] The ship specifies the time of delivery and quantity required in the order.

Open purchases must be documented on a small purchase documentation sheet. (See Appendix C) The open purchase bid sheet must be filed in the ship's purchase documentation file for future audit trials for Supply Management Inspections and Procurement Management Reviews.

E. SHIPBOARD PROCEDURES FOR AN OPEN PURCHASE

1. Purchase Actions Before Pierside Procurement

Supply Officers were the primary contracting officers prior to the issuance of new policy guidance in the form of SUPARS 560.

The senior Supply Corps Officer of a major fleet, type commander or ship, the Commanding Officer of ships without a Supply Corps Officer attached . . . are hereby appointed contracting officers of the Naval Supply Systems Command . . . the contracting officer has the authority to contract for supplies and services as authorized. . . . Actions by contracting officers beyond the scope of this authority may result in both disciplinary action and personal liability. [Ref. 23:3084²]

The shipboard Supply Officer had the Afloat Supply Procedures, NAVSUP--P-485 as a guide. It spelled out in detail the Supply Officers' obligations, limitations and methodology in the open purchase of material. Open purchases could be made only when requirements could not be obtained from mandatory Government sources of supply which

²Reference refers to paragraph citation for NAVSUP P-485. Henceforth, all references to NAVSUP P-485 will denote paragraph citations vice page numbers.

are listed below in descending order of priority: [Ref. 20:13.103]

- 1) Defense/Federal Supply systems for material assigned a National Stock Number (NSN)
- 2) Excess property from other agencies
- 3) Federal Prison Industries
- 4) National Industries for the Blind or Other Severely Handicapped
- 5) Mandatory GSA Federal Supply Schedule Contracts; and
- 6) Optional GSA Federal Supply Schedule Contracts.

An open purchase action was initiated by an end-user with the submission of a NAVSUP 1250-1. Upon receipt of the 1250-1, the Supply Officer (or designated individual) checked the document for dollar-value and completeness. Open purchases were only permitted up to a threshold of \$2,500 (\$10,000 in the case of Supply Officers aboard larger ships). Emergency requirements from \$2500 to \$10,000 were authorized provided: [Ref. 23:3085]

- 1) there is [was] an emergency requirement for authorized supplies and services and scheduled operations will [would] not permit procurement through shore-based supply/contracting activities
- 2) all such purchases are [were] supported by the contracting officer's written determination setting forth the facts and circumstances justifying the exercise of such authority. . . .
- 3) all transactions are [were] made by an approved small purchase method provided for immediate delivery
- 4) the requirements . . . regarding competition over \$1,000 and the solicitation of small businesses are [were] adhered to.

After the requisition had been accepted, it had to be screened against availability from regular stock

channels. In other words, it had to be technically screened to ensure that a stock numbered item was not available. Aboard a small combatant or amphibious ship this usually entailed (depending on the material) cross-referencing the material to a stock number by means of the Master Cross-Reference List (MCRL) and/or the Management List-Navy (ML-N). Upon the determination that the material was, in fact, an open purchase, the Supply Officer had to determine if it was on a "not to be purchased list."

After the above steps had been accomplished, the Supply Officer had a myriad of other criteria to consider before the required supplies or services could be purchased in the local market area:

- If the purchase exceeded \$1,000, three bids had to be solicited from qualified suppliers to assure that awards were made to the advantage of the government. Quotes were usually solicited orally.
- If the purchase was less than \$1,000, no competition was required if the price was considered to be "fair and reasonable."
- Any purchase less than \$10,000, utilizing small purchase procedures, had to be made from a small business (less than 500 employees).
- The purchase of the supplies or services had to be authorized by current directives.
- The supplies or services were not available at the local supply support activity or would not be available in the required time frames.
- The contracting officer had to be familiar with the local market areas.
- There were sufficient supply department personnel to accomplish the additional workload involved.

- All transactions were by an approved small purchase method and allowance for delivery within 30 days. [Ref. 23:3085]

After the above had been accomplished, the Supply Officer was ready to make the buy. The Supply Department prepared a DD Form 1155--Order for Supplies or Services/Request for Quotations--and the award was made. Additionally, the Supply Officer had to consider other socio-economic programs such as minority businesses, women-owned businesses, the Buy American Act, and spreading similar business among different suppliers.

Since the great majority of purchasing aboard ship fell into the small purchase category, it was incumbent upon the Supply Officer to ensure small purchase issues were addressed. Issues considered were:

- For purchases under \$1,000, purchases had to be distributed equitably over a period of time among qualified buyers. Repeat orders should not have been placed with the previous supplier if possible. [Ref. 20:13.106]
- Price reasonableness had to be determined for purchases less than \$1,000. Since price competition was not required for purchases under \$1,000 the Supply Officer had to determine if the price was "fair and reasonable."
- All purchases with an anticipated dollar value of \$10,000 or less were considered to be small business set-asides and should have been placed with small business concerns. A small business concern was [is] ". . . a concern, . . . independently owned and operated, not dominant in the field . . . and is [was] qualified as a small business under certain criteria. . . . [Ref. 20:13.105] For purchases up to \$10,000, a dealer was [is] considered to be a small business if it had 500 employees or less and was supplying any domestically produced or manufactured product.

- For purchases over \$1,000, a reasonable number of quotations had to be solicited. Usually three quotes from qualified supplies to ensure competition was reasonable. For small purchases, reasonable competition could usually be obtained from the local market. Two suppliers not included in the previous quotation should have been solicited. If only one quote was received and it was determined to be "fair and reasonable," no additional quotations were required. If only one source was solicited, a sole source justification from the customer should have been included in the request. [Ref. 20:13.106]
- "Foreign items should not be [have been] procured unless the necessary decisions of exception and required documentation have [had] been made prior to award." [Ref. 20:13.107-2] The Buy American Act required that only domestic end products could be acquired for public use. Exceptions included:
 - 1) Supplies that were for use outside the U.S.
 - 2) Items that were not available in the U.S. in sufficient and reasonably available quantities.

The restrictions of the Buy American Act did not apply if it was determined that the cost of a domestic item was unreasonable. The determination was made by multiplying the foreign quote (including duty) by 6% and determining if it was lower than the domestic quote. If the domestic quote was higher, then multiply the foreign quote less duty, by 50%. If the domestic price was still higher, award was made to the foreign supplier.

Thus it is obvious, the Supply Officer had to expend much energy, manpower and time to make an award before Pierside Procurement. Now pierside offices ensure the aforementioned myriad of policies and procedures are adhered to and purchases made accordingly.

2. Material Receipt

"The supply officer is responsible for the receipt, inspection, identification, and distribution of all incoming stores. . . ." [Ref. 23:4000] Additionally, he is responsible for the processing of receipt papers and all associated documents. The majority of all shipboard receipts, whether open purchased by the ship or acquired by the Pierside Procurement office, will be direct delivery.

The DD 250 is a multi-purpose form that is used ". . . principally to provide evidence of inspection or acceptance at either the material source or its destination, to substantiate contract payments." [Ref. 23:4115] The Federal Acquisition Regulation prescribes use of the DD 250 for delivery of materials procured under Government contract. The DD 250 can also be used when ashore activities have procured material for shipboard units using a DD Form 1155. When material is furnished directly to an afloat unit by a commercial vendor, a technical representative will inspect the material and a storekeeper and the representative will complete blocks 17, 21, and 22 of the DD Form 1155.

3. Bill Payment

Once the material is inspected and accepted, the dealer's invoice must be paid. "Under the provisions of the Prompt Payment Act (Public Law 97-177), federal agencies are required to pay interest penalties for the late payment of a

proper dealer's invoice." [Ref. 23:4335] The Prompt Payment Act is an attempt to foster better business relationships with suppliers, improve efficiency, and reduce the costs of goods and services. A dealer's invoice should be forwarded to the appropriate paying office within 5 days after inspection and acceptance of material. (If a discount is being offered, a "Discount" label will be attached to the upper left corner of the dealer's invoice and it will be forwarded for payment immediately.) [Ref. 23:4335] The "clock" starts to run for the purposes of prompt payment from the later of the acceptance of material or the receipt of a correct invoice. The vendor must be notified within 15 days of any apparent error with the invoice. After the acceptance of the material or receipt of a corrected invoice, the ship has 30 days to process the bill and send it to the paying activity. The Act specifies that the interest payment will be paid automatically if the "correct" procedures are not followed.

A recent initiative has been the implementation of the "fast pay" procedure. Fast pay procedures may be used in purchases that do not exceed \$25,000 and should be issued on a DD Form 1155. This method expedites payments to commercial vendors with the goal of encouraging faster delivery to the Government. "Payments are based on the shipment data included with the vendor's invoice which is submitted directly to the paying office designated in the

purchase document." [Ref. 23:3083] The supplier must agree to replace, correct, or repair supplies not received at the destination, damaged or not in compliance with the purchase requirement, if notified within 60 days of shipment. The receiving activity (ship) must notify the purchasing activity if the material is not received within 30 days after the required delivery date or 10 days after receiving nonconforming material. Additionally, notification of receipt must be supplied within 10 days after receiving material that conforms to the requirements of the order/call.

F. PIERSIDE PROCUREMENT PROCEDURES

1. General

Though the procedures varied at the five Pierside Procurement offices visited, their goals were the same--to provide the customer with the most expeditious and efficient service possible. This section shall examine the procedures that are "common" to Pierside Procurement offices and point out relevant differences discovered during on-site visits. Note that Pierside Procurement is a dynamic area and changes to improve services are constantly being made. (Visits to pierside sites occurred during the February-April 1987 time frame.)

2. Shipboard Procedures

The process starts onboard ship with the determination of a requirement by an end-user division. The

end-user then submits a 1250-1 to the Supply Department indicating the requirement. Often the end-user has done his "homework" and indicates one or more recommended sources. The ship should then do a technical screen to ensure that the material is not carried in the stock system. It is imperative that the end-user supply adequate descriptive and technical data prior to submission of the 1348-6 or 1149 to the pierside office. If the item is not ADP or habitability related, is less than \$10,000, is not on a "don't buy" list, and does not have a stock number, then it is a candidate for Pierside Procurement. The Supply Officer then prepares a 1348-6 or 1149 depending on the requirement. (An 1149 is generally used for services.) Usually the end-user division provides someone to take the requisition through the processing procedure at the Pierside Procurement office.

3. Customer Service

At the majority of the pierside sites, the first person that handles the requisition is someone from the Naval Supply Center customer service section. (Exceptions include San Diego which utilizes an input clerk and the smaller pierside operations such as the Naval Supply Center San Diego Long Beach Detachment.) This is where PALT is supposed to start--as soon as a ready requisition gets to the Pierside Procurement office. The customer service representative (or input clerk) checks the requisition for

completeness and depending on the activity may or may not reject the requisition if it is not complete.

Next the process varies greatly.

- NSC Norfolk--The customer service representative enters the requisition into UADPS (Uniform Automated Data Processing System). He/she telecopies the requisition (Issue Groups I or II) up to NSC technical on the sixth floor of the Naval Supply Center. (Issue Group III is hand-carried to NSC Technical.) PALT has not started. (Customer Service personnel are at three of the four Pierside Procurement sites.)
- NSC San Diego--PALT starts with the delivery of the requisition to the input clerk. The clerk enters the requisitions into an IBM PC (personal computer) and sends the customer with the requisition to NSC technical which is located a few feet away.
- NSC Charleston--First, the customer logs the requisition in himself, and gives the requisition to the customer service representative. (NSC Charleston calculates PALT in an unusual manner which will be addressed in Chapter III.) The customer service representative, after checking the document for completeness, hand-carries the requisition to NSC technical which is located in the same office.

4. Technical

Technical procedures, though essentially the same, vary in the methods of accomplishment.

- NSC Norfolk--The technical section is located on the sixth floor of NSC Norfolk. After the requisition is telecopied to the sixth floor from any of the four pierside sites, it is entered into a log (bearer walk-throughs only) by a clerk. It maintains BD status (requisition is being delayed due to need to verify requirements) while in technical. One of six technical personnel dedicated to Pierside Procurement picks up the requisitions from an "in" box and assigns them to technicians. They are assigned based on "familiarity," but as Mr. Wes Cherry, NSC technical supervisor said, "We don't have any experts. We can't specialize because we must be able to respond to the customer. We lose flexibility if we specialize." After they are assigned to the technicians, an attempt is made to cross the requisitions to National Stock Numbers. (Initially statistics were kept on the number of requisitions

crossed to National Stock Numbers; however, these statistics are no longer compiled at most NSCs/NRCCs.) Mr. Cherry said, "The primary methods used to cross requisitions to stock numbers are via the Master Cross Reference List (MCRL) and the Cross Reference File (CRF)." If the requisition is not crossed to an NSN, it is assigned BV status (item procured and on contract for direct shipment to consignee) and sent via telecopier to the customer service representative. She passes it on to the "expeditor" for entry into APADE and distribution. If it crossed to an NSN, it is assigned BG status (part has been crossed to an NSN) and sent back to customer service. If BG status is assigned, the ship has the option of ordering the NSN or submitting a certification signed by the Commanding Officer that the identified NSN cannot be attained (See Appendix D) or a certification that the standard stock number is not suitable. (See Appendix E)

NSC technical can also cancel a requisition (CA status) for lack of information. If CA status is invoked, NSC Norfolk gives the ship the option of returning with the same requisition with additional information and suffix Code A. If cancelled, the requisition is sent to the ship or picked up. The ship is notified of a cancellation by message or phone call.

- NSC Charleston--The technical section of the main Pierside Procurement office is located in the same office as the customer service representative and the buyers. The customer service representative simply carries the requisition over to the technicians for screening. The technician screens it via the MCRL and CRF and if a stock number cannot be found, he enters it into the Inventory Location Service (ILS) via computer. Most importantly, the ILS gives the Federal Supply Code for Manufacturers (FSCM) and procurement history. The technician can also cancel the requisition, but usually opts to call the ship for additional information. If the number is crossed to an NSN, the requisition will be sent back to the customer service representative and automatically ordered. If the item is to be procured via Pierside Procurement, it is sent back to the customer service representative where it is time-stamped. The customer service representative then loads it into the computer and passes it to the Pierside Procurement office supervisor for distribution.

5. Buyers

A requisition is usually assigned to a buyer by the supervisor. In the case of NSC Norfolk, an "expeditor" assigns the requisition to a buyer after screening for "don't buy" items. Assignments are generally made by the number of requisitions sitting on the buyer's desk. For example, NSC Charleston's goal is to keep the number of requisitions on a buyer's desk to 75 or less and have no requisition older than 15 days.

Once a requisition is assigned to a buyer, a certain methodology is followed. Competition, socio-economic goals, Military/Federal Specifications, and a "fair and reasonable" price are just a few of the considerations a buyer must assess. A buyer must evaluate the same criteria the Supply Officer had to consider in Part II.E. For example:

If the purchase is in excess of \$1,000, the buyer, based on experience, will go to known sources for competition. One of the sources (or more if listed on the requisition) is usually the recommended source from the customer. In most cases, if the low bidder is not the source recommended by the ship, the buyer will go back to the ship to see if the low bidder is providing an "equal" item. NSC Charleston provides the ship with a brochure of the "equal" part to permit the ship to make a proper determination. "Generally, the minimum acceptable competitive purchase description is the identification of a

requirement by use of a brand name followed by the words 'or equal'." [Ref. 20:13.104-2] If the ship replies that the low bidder is not an "equal," they must provide justification (DD 1784) signed by the Commanding Officer. As one Pierside Procurement supervisor stated, "Our buyers are not technical personnel, how can they make a determination if a part is an 'equal'." Though the buyers do solicit the help of their technical sections, the customer makes the ultimate decision and must justify it.

Buyers at Pierside Procurement offices are required to use small businesses for all purchases because, "All open market purchases with an anticipated dollar value of \$10,000 or less are considered to be small business--small purchase set-asides and must be made with small business concerns." [Ref. 23:13.105] It is a matter of routine for the Pierside Procurement buyers to know the small businesses in their local market as they deal with them everyday; however, if the buyer deems a small business bid to be outrageous, a "buy" can be placed with a large business if: [Ref. 22:13.105]

(1) . . . the contracting officer determines there is no reasonable chance of obtaining quotations from two (2) or more responsible small business concerns that will be competitive in terms of market price, quality, and delivery.

(2) . . . you don't receive a quotation from a small business concern at a reasonable price, or a quotation which meets your required delivery date and/or purchase description/specification, then you may dissolve the small business--small purchase set-aside. . . .

After the buyer has fulfilled the prescribed requirements and has completed the small purchase documentation sheet, the award is about to be made. At NSC Norfolk only contracting officers can make any award, including BPAs. Buyers at Norfolk can only make entries into the APADE system and until Phase III is implemented they cannot even approve BPA buys. (As of March 1987, only NSC Norfolk and NSC Puget Sound have APADE. All other Pierside Procurement sites are scheduled to get APADE in the near future.) The contracting officers approve all buys. At NSC Charleston buyers can award any BPA less than \$1000, but the contracting officers approve all other awards. After the award is approved, all paperwork is sent to a clerk for typing (DD 1155), distribution (including the all important copy to the ship) and filing.

6. Material Receipt

After contract award, Pierside Procurement is, for all intents and purposes, finished with the procurement process. Material is received onboard ships and pierside offices only hear about receipts if there is a problem. In other words, in the majority of the cases, pierside offices do not know if material is received or not. NSC Charleston has several innovative ideas that should prove to alleviate this potential problem. First, they have initiated "Roadrunner" Service. The "Roadrunner" truck picks up requisitions twice daily from the pierside office, goes to

the contractor and gets the material, and delivers the material to the ship the same day. Thus, material is assured of being delivered. Similarly, NSC Charleston is about to embark on a program of "centralized receiving." This concept envisions having two contract administrators at the pierside site monitor the receipt and delivery of material to ships.

7. APADE

APADE is a standardized procurement system that automates the entire acquisition process.

APADE provides state-of-the-art buyer support services. A full range of document preparation services is available. The system utilizes electronic filing, mailing and signature techniques to control document flow. . . . It integrates the latest in laser printing technology to provide real-time contract output or large volume batch work as required. The broad range of competition and technical support data available to a buyer on-line is a dramatic break-through. . . .[Ref. 24:p. 17]

A discussion of Pierside Procurement operations would not be complete without the introduction of APADE. Implementation is presently (June 1987) ongoing at NSC Norfolk and NSC Puget Sound using a four phase approach that ". . . is intended to prevent disruption in the current daily procurement operation and to minimize anxiety and confusion among users." [Ref. 25:p. 40]

APADE is accomplished through the functioning of seven subsystems. The system is not complete until the completion of the fourth phase. [Ref. 26]

<u>SUBSYSTEM</u>	<u>PHASES</u>
Requisition Input/Update Processing	1/2/3
Re-Award Processing	2/3/4
Award Processing	1/4
Contract Management Processing	3/4
Inquiry Processing	1/2/3/4
Report Processing	1/2/3/4
System Management Processing	1/2/3/4

APADE will provide the buyers with tools not previously available to them. One of these "tools" is APADE's ability to automatically provide buyers with a Purchase Request Data Sheet that lists the last ten commercial sources previously used to procure the item, including the address, phone number, and point of contact. The Data Sheet also contains purchase and price histories gathered by all APADE activities. APADE also possesses the ability to generate hard-copies of procurement documents. When all entries of a contract are correct and complete, and after verification by the contracting officer, the final awarded contract will be produced with an electronically transmitted signature. [Ref. 25:p. 39]

APADE will also provide the following buyer support: [Ref. 26]

- Automated Bidders Mailing List
- Recommended consolidation of requisitions with existing in-process requirements
- Terms, conditions, certifications, etc., for inclusion in solicitations, amendments, awards, and modification documents
- Automatic generation of delivery orders.

Training for the APADE system is being accomplished by the Navy APADE Training Team (NATT). Users are given functional hands-on training in the actual working environment. "Hands-on interface with the terminal allows the students to perform the same functions in the training environment as with the on-line system using a 'Training Data Base'." [Ref. 25:p. 39] Training is also provided "on-site" if possible.

G. SUMMARY

This chapter addressed the background and implementation of Pierside Procurement, various methods of small purchasing, shipboard procedures prior to Pierside Procurement, and finally present procedures for submission of a requisition to Pierside Procurement sites. The present procedures are by no means all encompassing, but were selected as being most representative. The next chapter will discuss problems as perceived by this researcher.

III. PIERSIDE PROBLEMS

A. INTRODUCTION

1. General

There are eleven Pierside Procurement locations throughout the continental United States and overseas. They are as diverse as NSC Norfolk, which operates four pierside sites in close proximity to its 127 ships and is installing APADE, to NSC San Diego Long Beach Detachment, which has one office, supports 22 ships and has no automation. Though numerous problems have arisen with regard to this initiative, we must not lose sight of the fact that Pierside Procurement was implemented to alleviate shipboard procurement problems and keep horror stories off the front page of the newspaper. Problems encountered are as varied as communication problems among various TYCOMs, Naval Supply Centers, and customers to the cancellation of requisitions by pierside offices. Primarily, we will look at problems encountered at the Naval Supply Centers in Norfolk, San Diego, Charleston, and Oakland and the Naval Supply Center San Diego Long Beach Detachment. The two TYCOMs that will be mentioned most frequently are COMNAVSURFLANT and COMANVSURFPAC as they have encountered the most problems due to the large number of assigned ships.

2. TYCOM Guidance/Views

TYCOMs vary as to the guidance given to their ships as far as requiring use of Pierside Procurement offices. COMNAVSURFLANT is by far the most stringent. They require their ships to use Pierside Procurement for all open purchases with the exception of buying repair parts that cost less than \$500. The only other time a ship can contract for parts/services on the open market is if the ship is deploying the next day and it is after working hours or if the ship is in a port with no Pierside Procurement office. COMNAVSURFLANT is adamant regarding use of Pierside Procurement offices and in several instances has pulled all purchasing authority from ships that have violated procurement regulations.

COMNAVSURFPAC, though not as rigid as COMNAVSURFLANT, has an aggressive approach to Pierside Procurement. The program is closely monitored and numerous messages have been sent to the fleet emphasizing the importance of Pierside Procurement. Primary guidance given by COMNAVSURFPAC has been that ". . . contracting at the shipboard level is authorized for emergency, high priority situations only. My goal is to reduce shipboard procurement to as close as zero as possible." [Ref. 27] COMNAVSURFPAC actively solicits feedback from their ships and recently required them to complete a survey assessing the Pierside Procurement program.

COMNAVAIRLANT, COMANVAIRPAC, and COMSUBLANT, look at their ships use of Pierside Procurement in varying ways. It should be noted that the ships of all three of these TYCOMs have Commanders as Supply Officers and thus, as one TYCOM representative said, ". . . are senior enough and possess the experience so that we [the TYCOM] do not have to constantly monitor them." This is interesting in view of the fact that the USS Kitty Hawk problem was the primary impetus for Pierside Procurement. Additional guidance and views from these TYCOMs include:

COMNAVAIRLANT fully supports reduction of afloat procurement and the establishment of pierside contracting support. . . . These pierside purchasing facilities should be used to the maximum extent possible. [Ref. 28]

Basically you can not open purchase unless it is an emergency situation. Thus, it is practically mandatory for our ships to use Pierside Procurement. [Ref. 29]

In summary, all TYCOMs are committed to Pierside Procurement. TYCOMs monitor the ships closely through statistical reports such as semi-annual purchasing statistics and during Supply Management Inspections (SMIs). The TYCOMs have a major stake in the success of the program and as such mandate their ships utilize Pierside Procurement unless they have an emergency requirement or when shore support is unavailable.

B. PIERSIDE PROBLEMS

The advent of Pierside Procurement brought with it a myriad of problems at various levels in the procurement

process. These problems ran the gamut from lack of resources to inadequate description of the requirement on requisitions. Solutions to most problems have either been implemented or are in the process of being implemented. However, several problems will require additional research and additional resources.

1. Lack of Adequate Funding

Funding has been an extremely troublesome area. Initially, each Pierside Procurement site was to be eventually funded with money for additional ceiling points. (See Appendix A) The majority of these ceiling points were to be authorized during Phases III and IV of the implementation plan. To meet the 15 October 1985 start date for Phase I, all activities had to provide clerks, technical personnel, and buyers from their own assets. Additionally, offices, furniture, and equipment had to be acquired with internal assets. Said one Procurement Director, "It was a zoo! We had no people, no space, and no equipment and yet we had to be on-line in two weeks. We had to go to salvage looking for desks, chairs, and office equipment." Several interim funding messages were issued by NAVSUP, with a 14 March 1986 message authorizing the final ceiling points/funds as follows: [Ref. 30]

	END STRENGTH	DOLLARS IN THOUSANDS
NSC NORFOLK	60	1,066
NSC CHARLESTON	21	410
NSC JACKSONVILLE	17	362
NSC PENSACOLA	5	64
NSC OAKLAND	9	150
NSC SAN DIEGO	50	857
NSC PEARL HARBOR	4	91
NSC PUGET SOUND	4	87
NRCC PHILADELPHIA	18	357
NRCC NAPLES	7	103

These figures represent end strengths initially envisioned for Phase III. However, Phase IV was never implemented due to a NAVSUP decision to implement Productive Unit Resourcing (PUR) on 1 October 1986. This decision significantly changed the resourcing picture.

PUR is a complex system in which an activity receives a pre-negotiated dollar amount for each purchase action that is processed. (For example, NSC Norfolk receives \$34.04 for each small purchase action it completes.)

Under the productive unit resourcing system, NAVSUP commits to fund work-load at the required level of performance, i.e., field activities will be funded on the basis of actual work performed vice the fixed workyear/cost methodology used previously. . . . Thus by paying its activities for work done on a productive unit basis NAVSUP expects to achieve substantial gains in workforce productivity and economy of operations through the use of a more flexible workforce performance based on incentive systems, specifically defined performance goals, and management of overhead type costs. [Ref. 31:p. 1]

The rates are negotiated with NAVSUP Headquarters.

Productive unit rates will be determined as a result of an interactive negotiation process between NAVSUP Headquarters and those field activities managed under the system. [Ref. 31:p. 2]

The field activities will then be required to file a business plan with NAVSUP Headquarters.

. . . activities will develop productive unit rates based on the actual rates being experienced. Adjustments may be made for changes such as pay raises, nonlabor cost growth, gains in efficiency, functional transfers, and anticipated gains in productivity. These projections of productive unit rates, coupled with workload projections plus estimated overhead costs, will be submitted to NAVSUP Headquarters as the activities fiscal year business plan. [Ref. 31:p. 3]

Thus a combination of factors determine the productive unit rate. This rate is used to determine an activity's "profit" or "loss." If a "profit" is made, one can fund additional ceiling points, buy equipment, or use the money as seen fit. If one incurs a "loss," cutbacks may be required. Obviously, this initiative is greatly affecting the original funding levels anticipated for Pierside Procurement.

Actual determination of purchase productive units are beyond the scope of this paper. Note, however, that it is a complicated process that has caused concern about the resourcing process. One Purchase Director said, in regard to his Pierside Procurement operation, "NAVSUP reneged on their promise [for funding]. Now I have been forced to take ceiling points and expend dollars out of hide." Said another Small Purchase Director, "I didn't get a single additional ceiling point for Pierside Procurement. I have taken everything out of my own assets."

Thus the funding of pierside sites raises an issue to be addressed. At least three of the activities this researcher visited or held discussions with indicated that they have had to take money from other areas to fund pierside operations. Several activities feel the PUR system does not adequately compensate them for work done. For example, one Purchase Director pointed out that if a requisition is cancelled due to a lack of funds, the material no longer being required, or a lack of adequate technical data, the activity will not receive any credit even though it may have expended numerous manhours on the buy.

PUR is a new initiative and only time will tell if it is successful. It should be noted that if an activity makes a "profit," it is "profit" for the entire activity and may not necessarily go to Pierside Procurement. In fact one Purchase Director said Pierside Procurement is ". . . the last place it would go."

2. Lack of Communication Among TYCOMs, NSCs, and Ships

Communication. 1: an act or instance of transmitting
2 a: information communicated b: a verbal or written message 3 a: a process by which information is exchanged between individuals through a common system. . . . b: personal rapport. . . . 5 a: a technique for expressing ideas effectively. [Ref. 32:p. 225]

Communication is a vehicle by which the various TYCOMs, pierside offices and customers can head off potential problems, correct present problems, and exchange ideas. Though the opportunity for communication exists in

the form of NSC-sponsored pierside conferences and other forums such as Commander, Cruiser Destroyer Group Eight's "SUPPLY STRAIGHT TALK," several situations indicate that the flow of information is being restricted:

- 1) Ships are generally not aware of the availability of hard-copies of status. This problem is prevalent at one particular pierside site but the problem was evident at all sites.
- 2) Some ships were not aware of the extended hours of operation at the pierside sites. This could account for the "lack" of business afterhours and Saturdays.
- 3) Several ships visited were unaware of the nearest Pierside Procurement office. (Two of these ships had returned from deployment in the past month.)
- 4) Observations and interviews indicated that ships were unaware of what services Pierside Procurement offices provided.

This lack of communication serves as an impediment to a smooth-running, cohesive and integrated operation. Thus, the customer is not receiving the best service possible. The potential exists for wasted manhours, a degradation of readiness and perhaps another horror story.

3. Customer Base Includes Shore Activities

" . . . to assist forces afloat . . . a decision has been made to transfer the bulk of afloat purchasing ashore." [Ref. 16] Pierside offices were established to support ships not shore activities. At three of the sites visited, Pierside Procurement offices were buying for shore-based activities. With backlogs and the pressure for buyers to produce quality and expeditious buys, it appears that processing requisitions for shore-based activities and

staffs greatly detracts from purchasing effectiveness of these activities and adds unnecessary time to PALT for shipboard actions.

4. Lack of Training for Acquisition Personnel

Training, or lack thereof, has been a problem in the acquisition force for years. This is particularly true in the Pierside Procurement environment where many of the buyers are new and in training. Most of the buyers have attended the Defense Small Purchase course but few have attended the recently implemented 2 1/2 day Afloat Purchasing Course.

Training is also required for our sailors who submit requisitions to pierside or who must make the open purchase buys when Pierside Procurement offices are inaccessible. (NAVSUP was directed by CNO to develop and teach an afloat small purchase course consistent with the anticipated reduced level of afloat purchasing.) The 2 1/2 day Afloat Purchasing course, presently being offered at Naval Supply Centers, is the first step toward rectifying that problem.

Supply Officer training in the area of procurement has also been woefully inadequate. In the past, Supply Officers at Navy Supply Corps School (NSCS), Athens received the bare essentials in their basic training. When they returned for the Supply Officer Refresher Training (SORT) course, only one day in four weeks was spent on procurement. This has changed. Recently, the first SORT course graduated

after having been taught the 2 1/2 day Afloat Procurement Course as part of their training. Additionally, the Basic Qualification Course (BQC) has been expanded to include all aspects of procurement--including Pierside Procurement. This additional training at the fleet and field buying levels should help to alleviate the inconsistencies, confusion, and fear that presently exist in buying methodologies.

5. Pierside Offices Not Physically Located Near Ships

It was the intent of the Pierside Procurement initiative to locate the Pierside Procurement offices near the customers. Of the five sites visited, only NSC Norfolk and NSC Charleston have met this requirement. However, in many cases, it would not be cost-effective to locate pierside sites within walking distance of every ship. For example, NSC Oakland would have to put additional sites at Concord, Mare Island, Treasure Island, and Hunter's Point in addition to their site at NAS Alameda. The volume of business, ten to fifteen ships, does not seem to justify this endeavor. NSC San Diego, on the other hand, supports up to 80 ships at its 32nd Street location and at best, the Pierside Procurement site is convenient to 30% of those ships. Though NSC San Diego is expanding, it should look at moving closer to the ships.

Pierside Procurement offices which are located excessive distances from the ship, offer a convenient "excuse" for a ship not availing itself of their services.

6. Lack of Technical Screening Function/Technical Screening Function Separated from the Pierside Office

Another problem is the location of the technical screening function. Several Pierside Procurement offices have no technical screening or the technical section is far-removed from the pierside site. This greatly hampers the intent of Pierside Procurement and degrades the entire process. The technical screening function is intended to determine if the open purchase requisitions can be crossed to standard stock items. Additionally, it assists the buyers by providing technical information that facilitates buying the required material. Without this function, the potential exists for the Government to buy items which are available with standard stock or to buy the incorrect material. Both cases result in additional expense to the Government.

The location of the technical screening function is of paramount importance. NSC Norfolk's technical section is located in a building separate from the pierside office. This precludes important information exchanges between the customer and the technical section. This researcher observed technical personnel at NSC Charleston and NSC San Diego actively involved in dialogue with customers in attempting to correctly identify a requirement. Without this interface, the potential exists for the requisition to

be rejected, cancelled, or the wrong material to be purchased.

7. Underutilization of Pierside Offices After Hours and on Weekends

Several ships cited hours at Pierside Procurement offices as being inadequate. In the interim, both NSC Norfolk and NSC San Diego have greatly increased hours. NSC San Diego is open from 0700-1800 Monday through Friday and from 0800-1630 on Saturday. NSC Norfolk is open from 0700-1800 Monday through Friday and 0730-1600 on Saturday. The problem lies in the fact that the Pierside Procurement offices are vastly underutilized on Saturdays. A buyer from one of the sites said, "I have averaged two-three customers on Saturday for the past month." Though several ships cited the lack of accessibility of Pierside Procurement offices on Saturday, the cost-effectiveness of being open should be re-evaluated.

Additionally, in a survey of thirty government contractors in the areas of Norfolk, San Diego, and Charleston, only twelve were found to be open on Saturday and of those twelve, seven were only open for half a day. Even if customers availed themselves of the Saturday hours, it is doubtful if the customer's needs could be met. It should be noted however, that of the thirty contractors contacted, twenty said they could make themselves available if necessary.

8. Lack of an Imprest Fund at Pierside Offices

Another problem at the Pierside Procurement sites is the lack of a pierside imprest fund. Most ships are discouraged from having an imprest fund and often utilize the imprest fund at the NSC or NRCC. The imprest fund is one of the preferred methods of procurement and greatly expedites an open purchase buy. Most NSCs and NRCCs make their imprest funds available but the locations are usually far-removed from the pierside locations. Again, lack of funds was a common response as to why an imprest fund was not located at pierside.

9. Inadequate Technical Information Provided by Shipboard Personnel

From the Pierside Procurement office point of view, the biggest problem is the lack of adequate technical information on a 1250-1, 1149, or 1348-6. Of the ten office supervisors queried, nine said inadequate technical information was the major problem from their perspective. Inadequate descriptive data requires the Pierside Procurement office to go back to the ship for additional information via telephone, message, or memo (See Appendices F and G). Buyers are sensitive to the fact that without adequate information the ship may get the wrong material. One supervisor related how a ship requested \$10,000 worth of mess decks chairs. Upon receipt, it was discovered that the wrong chairs had been ordered and the ship had to make "do" or be out \$10,000. Though this is the exception, it does

happen. Also, while buyers await additional information, PALT continues hence, further distorting this statistical measurement. Most supervisors agree the ships are providing better technical information, but much greater improvement is necessary.

As a means to alleviate the problem, several pierside offices have sent supervisors and/or buyers aboard ships to conduct training with the Petty Officers responsible for filling out pierside requirements. The larger ships have found this to be helpful and highly desirable and pierside sites immediately noted a quantum improvement in technical descriptions.

NAVSUP has promulgated instructions for what they consider to be required information for local purchase of nonstandard items (See Appendix H). In addition to this guidance, NSCs have sent various messages outlining the required information.

Many ships are frustrated because Pierside Procurement offices seem to require technical information not previously required for a similar buy. This "problem" will continue until buyers gain the required experience to make efficient, competitive buys. This is a "problem" that comes with the implementation of a new system. If the buyers did not require in-depth descriptive data, the ships might be getting the wrong material. Research indicates receipt of the wrong material has not been a major problem.

10. An Inordinate Number of Bearer Walk-Thrus Sent to Pierside Procurement

When a ship requires material immediately, it initiates a bearer walk-thru. After the requisition is processed on the ship, a Petty Officer from the end-user division will usually take the requisition to the Pierside Procurement office, wait for processing and pick up the material from the contractor. This process could take up to six or seven hours or longer.

All Pierside Procurement offices process a bearer walk-thru immediately. A bearer walk-thru is generally required to be priority 06 or above. Thus, if one ship submitted a bearer requisition with a priority of 13 and another ship submitted a non-bearer requisition with priority 06, the bearer walk-thru would take precedence.

A brief description of the Navy's priority system is required before the problem is addressed. A priority designator (PD) is determined from a combination of the force activity designator (F/AD) and the applicable urgency of need designator (UND). A F/AD is "... a unit, organization, or installation performing a mission or function; a body of troops, ships, or aircraft, or combination thereof; or a function, mission, project or program." [Ref. 23:3045] F/AD is a Roman numeral (I-V) which categorizes a force or activity on the basis of military importance. Basically, the F/ADs are as follows:

F/AD I . . . assigned to U.S. forces in combat and other United States or foreign country forces or activities designated by the Secretary of Defense as recommended by the Joint Chiefs of Staff (JCS).

F/AD II U.S. combat, combat ready, and direct combat support forces deployed to or operating outside the 50 states and adjacent waters, Panama, the Caribbean area, and such other areas as may be designated by the JCS.

F/AD III All other U.S. combat ready and direct support forces outside CONUS not included under F/AD II. CONUS forces maintained in a state of readiness for deployment to combat prior to D + 30.

F/AD IV U.S. forces being maintained in a state of combat readiness for deployment to combat during the period D + 30 to D + 90.

F/AD V All other U.S. forces or activities. [Ref. 23:3046]

Essentially, the majority of ships in CONUS ports where pierside sites are located come under F/AD III.

UNDS are broken down as follows:

UND

- A (1) Requirement is immediate
- (2) Without the material needed, the activity is unable to perform one of its primary missions
- B (1) Requirement is immediate, or it is known that such requirement will occur in the immediate future
- (2) The activity's ability to perform one or more of its primary missions will be impaired until the material is received
- C (1) Requirement is routine. [Ref. 23:3047]

The following chart is applicable:

UND:		A	B	C
FAD	I	01	04	11
	II	02	05	12
	III	03	06	13
	IV	07	09	14
	V	08	10	15

The majority of requisitions submitted to pierside offices are PD 06 or above. Guidance from NAVSUP P-485 states, that with the exception of submarine tenders, destroyer tenders, repair ships, and aircraft carriers, only 55% of all requisitions submitted should be PD 01-08.

The problem arises when an inordinately high number of bearer walk-thrus are initiated. This researcher saw requisitions for detergent, aprons, plastic forks and spoons, and wax that were designated as priority 06--bearer walk-thru. Not only is this an abuse of the priority system, but it penalizes ships that try to abide by priority designations. When 45% of the requisitions at one pierside site are bearer walk-thrus (as was found to be the case), the PALT for the other 55% of the requisitions is going to suffer accordingly. The problem perpetuates itself when ships that were properly assigning priority designators now start to submit bearer walk-thrus. Said one Supply Officer, "NSC is not responsive enough. Why shouldn't I submit bearer walk-thrus? Everyone else does!" An Assistant

Supply Officer said, "As long as NSC continues to accept bearer walk-thrus, I'll submit them for anything."

Almost without exception, each Pierside Procurement supervisor stated that it served no purpose to reject such requisitions because they'd just come back with a certification from the Commanding Officer or Supply Officer "justifying" a bearer walk-thru. Standards for walk-thrus are generally in place (See Appendix I) but are ignored by customers.

NSC San Diego sent out the following message to address the problem:

A recent surge of walk-thru requisitions has slowed processing at the pierside sites. Non-essential requisitions processed as walk-thrus delay the processing of requisitions of all other customers . . . only IG-I [issue group I] and IG-II work-stoppage open-purchase requisitions are eligible for walk-thru procedures. Adherence to established procedures will improve system responsiveness for all customers. [Ref. 33]

11. Cancellation of Requisitions

Several shipboard activities cited the cancellation of requisitions as a major problem. Among the ships queried, the researcher found this problem to be on a small scale. Most pierside sites go "overboard" in an attempt to get additional information from a ship before they cancel requisitions. This is noteworthy in view of the fact that PALT continues while the pierside sites attempt to gather this information. Said one pierside supervisor,

We want to buy what the ship requires. We are here to support the ships and everything else is secondary. If we have to wait ten days for a response, we will. We cancel a requisition only after a conscientious effort is made to get the additional information.

12. Lack of Standardization in Buying Practices Among Pierside Sites

Buyer methodology differs greatly among the various Pierside Procurement sites. This can be attributed to various degrees of training and experience, supervisory control, and workload. All buys at pierside sites fall under the "Small Purchase and Other Simplified Purchase Procedures" of the Federal Acquisition Regulation and as such should be administered accordingly. The areas of primary interest to this researcher were the determination of a "fair and reasonable" price, the amount of competition, socio-economic issues, and the use of large businesses.

A particularly important issue is the buyer's interpretation of a "fair and reasonable" price. FAR states that "Purchases not exceeding this limit [\$1,000] may be made without securing competitive quotations if the contracting officer considers the prices to be reasonable." [Ref. 2:13.106] If the offer is not "fair and reasonable" the Government is paying too much for an item. Upon querying buyers concerning what they considered "fair and reasonable," several diverse and interesting responses were made. One buyer said, "If a ship submits a requisition for less than \$1,000 and lists a recommended source, I'll buy it. The ship knows what is fair and reasonable better than

I do." More surprising was the pierside office supervisor who said, "If it is less than a thousand dollars and not obviously overpriced, we'll buy it. A determination of 'reasonableness' is not usually made." On the other end of the spectrum, was the buyer who said,

If I haven't already bought it before, I'll go to the other buyers to see if they have. If they haven't, I'll check various price lists for a common item. Failing that, I'll get at least two competitive bids to determine if the item is fairly priced.

It should be noted that the buyer who considered nearly anything to be "fair and reasonable" worked in a pressure-packed environment in which buyers were taxed to the extreme and heavy backlogs were the rule.

The amount of competition solicited is also an extremely interesting area of research. Pierside Procurement offices operate in an environment of extreme pressure to make expeditious and quality buys. (These terms are usually not synonymous.) Thus, this researcher found it of particular interest when it was discovered that one pierside site was competing all buys under \$1,000. This practice was stopped after a recent NAVSUP Inspector General [IG] inspection, but it greatly added to the backlog of this pierside site. As one NAVSUP official said, "They were being overly-cautious." This seems impossible in today's age of the \$435 hammer and the USS Kitty Hawk debacle, but it was true. Perhaps Colleen A. Preston, in a CSIS Acquisition Study, was right when she said:

. . . [There exists] in the Department of Defense an environment in which few will take risks or exercise judgment for fear of being the next person to be hung at the mast for paying too much for a stool cap. [Ref. 34:p. 2]

While some offices are attempting to make the "fair and reasonable" determination for purchases under \$1,000 and most are attempting to solicit three responses for purchases over \$1,000, many offices do not attempt to establish "reasonableness" for purchases over \$1,000 in which two of the responses are "no bids." One buyer said, "My duty is to attempt to get competition. If I solicit three bids and two submit 'no bids,' I have done my job."

Also many sites differ as to their outlook on socio-economic programs. One supervisor said, "All my buyers care about is buying from a small business. If that small business happens to be woman-owned or minority-owned all the better, but we don't have the time to search out minority or woman-owned businesses." Another supervisor said, ". . . minority and woman-owned businesses are important and actively sought; however, we don't always do a good job."

Another problem area is the determination of when large business should be used in purchases of less than \$10,000--an area automatically reserved for small business set-asides. To reiterate, small businesses should always be used unless: [Ref. 20:13.105]

(1) . . . the contracting officer determines there is no reasonable chance of obtaining quotations from two (2) or more responsible small business concerns that will be

competitive in terms of market price, quality, and delivery.

(2) . . . you don't receive a quotation from a small business concern at a reasonable price, or a quotation which meets your required delivery date and/or purchase description/specification, then you may dissolve the small business--small purchase set-aside. . . .

This researcher found, almost without exception, buyers would not award to large businesses even when the disparity between prices was 50%-75%. The only time they would award to large business was when they were a sole source. This is a problem because the Government is paying highly questionable prices when the FAR specifically states that a small business--small purchase set-aside can be dissolved and award made to a large business when ". . . the contracting officer does not receive a reasonable quotation from a responsible small-business concern." [Ref. 2:13.105] Though several of the buyers said they would award to large businesses if a great disparity existed, they were in the great minority.

13. Problems in the Measurement and Concept of PALT

PALT is one of the primary statistical gauges of the Pierside Procurement process. ". . . PALT at pierside purchasing sites is . . . to begin with initial document receipt at the pierside office and average a maximum of five days." [Ref. 35] The researcher asked Purchase Directors and/or supervisors from each Naval Supply Center or Naval Regional Contracting Center visited if PALT was a good evaluation of the system. One supervisor's observation

summed up the group's consensus, "No--but it is the best measure we have."

The most difficult aspect of PALT is with its measurement. Of the NSCs visited, only one computed PALT in accordance with NAVSUP's guidance. The findings are interesting and included such deviations as:

- Several activities have no technical screening function.
- One activity does not measure technical time because of a lack of manpower to actually compute PALT manually.
- Several sites do not start PALT until the requisition is actually being processed. In other words, a requisition can sit several days in an input clerk's basket or customer service representative's basket and PALT would not start until it was "touched." In some instances this may take several days.
- Several activities stop PALT when they cannot reach or contact a ship for additional information or clarification of a requirement.
- NSC Charleston randomly samples one hundred requisitions per month and comparing the date the requisition is logged-in to the date the requisition is entered into the computer (after technical screening), this becomes the "average" technical time to be added to each requisition.

As one pierside supervisor stated, "PALT can easily be manipulated to fall within the five day parameter."

Not surprisingly, measurement of PALT has come under the scrutiny of several TYCOMs. COMNAVSURFPAC noted:

They are changing document input again to start the clock moving from the time the ship drops off the document at the pierside office. . . . Currently documents are dropped off at customer service and 3-4 days expire from entry into customer service to delivery to the purchase section. [Ref. 36]

The above refers to the fact that NSC San Diego was starting to measure PALT in accordance with NAVSUP guidance.

The aforementioned problems with PALT significantly reduce its usefulness as an effective measurement of efficiency and/or timeliness. Conceptually, the measurement of PALT is also "flawed" in several ways. The most common complaint heard by the researcher was that PALT continued even on weekends. For example, if a requisition was brought to a Pierside Procurement office on Friday at 1530, in all probability it would not be acted upon until Monday. Thus, PALT is already at three days and nothing has been done with the requisition. Additionally, if a requisition is dropped off before a deployment or local operations and a question arises, it usually takes several days (or more) to contact a ship via message for clarification. Most Pierside Procurement sites give the ship a due date to respond to the message or the requisition will be cancelled. However, the lapse in time between the message and the response counts against the Pierside Procurement offices' PALT.

The inaccurate assessment of PALT is giving Headquarters Commands, TYCOMs, and customers a distorted view of the pierside program. A goal of five day PALT is set and most observers assess the success of Pierside Procurement using this gauge. However, it is obvious that in the majority of cases, PALT is much higher and a true assessment of Pierside Procurement cannot be made using the

present, and diverse forms of PALT measurement. Thus, readiness can be adversely affected if we continue to gauge Pierside Procurement as a success based on the present methods of PALT assessment.

14. Excessive PALT

Though they realize the implications of Pierside Procurement, several ships are disillusioned by the "excessive" time it takes to receive material. It must be noted that on Pierside Procurement's "best day" it will take, on average four or five more days, to get material than a shipboard procurement. Most ships accept this "trade-off" to get the purchasing function off the ship. This is particularly true of the smaller ships. The larger ships, with Commanders as Supply Officers, are not as quick to accept this "trade-off" due to their previous experience levels and the new reduction of their authority.

PALT can also be measured against the standard of five days as promulgated by NAVSUP. Of the ten reporting activities (NSC San Diego Long Beach Detachment is included with NSC San Diego), NSC Puget Sound, NSC Pearl Harbor, NSC Norfolk, NSC Jacksonville, and NRCC Naples have exceeded the five day standard on two or more occasions in the October 1986-March 1987 time frame. NSC Pensacola, NSC Charleston, NSC San Diego, NSC Oakland, and NRCC Philadelphia have not exceeded the PALT standard in the same timeframe. (PALT will be further assessed in Chapter IV.) It should be noted

that the measurement of PALT was calculated differently at the five sites visited by this researcher, and as such is expected to vary among the ten sites.

Excessive PALT can be attributed to any number of the problems discussed in this chapter. For example, lack of funds can affect PALT by reducing the number of available buyers and technicians, or not providing state-of-the-art equipment for data processing and status. Inadequate technical data furnished by the customer requires the pierside office to ask the ship for additional data--thus extending PALT. APADE implementation takes buyers away from a Pierside Procurement office for a substantial period of time and contributes to excessive PALT.

Excessive PALT greatly affects readiness, as it delays or impairs the readiness of a ship. The longer the PALT, the worse the situation becomes. If PALT at pierside sites becomes too excessive, ships will attempt to circumvent the system and open themselves to potential procurement irregularities.

15. Failure to Receive a Hard-Copy of the Purchase Action Aboard Ship Before Material Receipt

A hard-copy of the purchase action is not being received by the ship until after delivery of the material. A COMNAVSURFPAC survey indicated that receipt of the hard-copy of the purchase action by the ship ranged anywhere from an average of seven days to seventy days. This poses problems inasmuch as a ship does not know the terms of the

purchase action and thus must either accept the material on a dummy invoice or reject the material. If the material is rejected, readiness is affected.

The researcher found this problem to exist in approximately 90% of the ships queried. A copy of the purchase action can be readily obtained by calling the cognizant Pierside Procurement office but it is after the fact and thus too late. The main problem is with preparation of the purchase action and distribution. Pierside sites vary in this procedure and at one major pierside site, the lead-buyer described the process after award as follows:

The bid sheet is sent to the pierside input clerk who updates the information in the computer and makes copies for distribution. Delivery orders and BPAs are sent to the Naval Supply Center (located several miles away) to be entered into their computer and filed. The Supply Center types the DD 1155 for Purchase Orders and returns it to the Pierside Procurement office for signature by the contracting officer and distribution to the ship. This process often takes five or six weeks.

Obviously, this process makes it difficult for the ship to receive a hard-copy of the purchase action before receipt of the material. This is particularly true if the purchase is made via a BPA since the material often arrives at the ship the same day as the order is placed.

16. Failure to Provide Status to Ships

In a survey done by COMANVSURFPAC and in interviews conducted by the researcher, several customers cited lack of timely status as a major problem. One ship responded, "Availability of status is a problem of major concern. [It is] extremely difficult to obtain status of open purchase requisitions." [Ref. 37] The lack of status makes it impossible for a ship to discern where a requisition is and as such, could impede readiness by delaying receipt of an essential part. However, the researcher found the problem not to be the lack of the status, but rather how it is obtained.

Initially, activities had problems with providing status because of "growing pains." Some Pierside Procurement offices were not automated, due to a lack of funds, until nine or ten months after pierside operations were implemented. (NSC San Diego Long Beach Detachment, NSC Oakland [NAS Alameda], and NRCC Philadelphia still are not automated.) The present problem lies in how status is disseminated. Most activities only give status if they are asked for it by the customer. However, a hard-copy of status will be provided by most automated Pierside Procurement offices upon request. Additionally, all activities are most responsive to requests for status by phone call. Many of the ships were aware of the availability of status by phone call but did not realize

that a hard-copy of all their outstanding requisitions was available upon request. Thus, the frustration of receiving status only on three to five requisitions at a time over the phone can be easily overcome.

17. Implementation of APADE

Although APADE has only been implemented on a limited basis, the problems that have occurred are anticipated to occur at other sites as the implementation process proceeds. Heretofore, problems with APADE have evolved during the implementation process at NSC Puget Sound. Training and the subsequent learning process can leave a tremendous "gap" in productivity--even with the four-phase implementation process. Productivity can decrease by as much as 87% activity-wide depending on the stage of implementation and it took NSC Puget Sound three months to return to 100% productivity. Just when productivity levels get to 100%, training on another phase starts up. (See Appendices J and K)

The loss of productivity in the Pierside Procurement area could be alleviated by replacing pierside personnel being sent to APADE training with experienced APADE users. These "experienced" users would come from larger divisions better able to handle a loss of four to six people. This could be accomplished by initially sending personnel from the chosen division(s) to APADE training and then allowing them to return to their "parent" divisions for two-three

months of on-the-job training. They would then be rotated into Pierside Procurement as personnel were sent to APADE training. Thus, an area as important as Pierside Procurement would not suffer the ever-present "growing pains."

Another management problem that surfaced at NSC Puget Sound was totally unexpected. A personnel problem arose due to the fact that junior personnel adapted more quickly to the APADE system because of more "hands on" training. Additionally, because senior personnel only enter the system at a management review level they became intimidated by the new system. Thus, a precarious situation existed between junior and senior personnel.

APADE is a new endeavor and as such the full impact of the problem cannot be assessed at this time. As more sites receive APADE the problem can be better addressed. Regardless, it appears that APADE will definitely impact on the Pierside Procurement process.

C. SUMMARY

This chapter addressed a myriad of problems at the TYCOM, Naval Supply Center, and customer levels. These are the major problems as perceived by the researcher. Thus, not every "problem" disclosed to this researcher was included. The next chapter is an assessment of the Pierside Procurement initiative.

IV. ANALYSIS OF PIERSIDE PROCUREMENT

A. INTRODUCTION

The Pierside Procurement initiative has met with "mixed reviews" in its eighteen months of existence. TYCOMs, Naval Supply Centers, and customers have expounded on the virtues of a centralized procurement organization but are divided as to how to accomplish the monumental task of potentially processing more than 410,000 shipboard open purchase requisitions each year at pierside sites. This task is made more difficult by the non-standard set of rules, procedures, and regulations at the various Naval Supply Centers and Naval Regional Contracting Centers with pierside sites. However, all "players" in the Pierside Procurement initiative are convinced this method is the answer to shipboard procurement problems and are dedicated to making it work.

A memorandum from the Commander of the Naval Supply Systems Command (RADM E. K. Walker, Jr.) to the Vice Chief of Naval Operations stated:

Informal feedback received from the Fleet combined with statistics reported by Contracting Officers and fleet units indicate that the pierside purchasing initiative has been extremely successful. During FY 86, Pierside Purchasing Offices processed approximately 173,000 shipboard requisitions (64,000 purchase actions) valued at \$62.4 million. . . . Additionally during the last six months of FY 86 (after pierside purchasing offices were fully operational) pierside purchasing offices handled over 89% of the Fleet's CONUS small purchase dollar volume

and 77% of its CONUS small purchase actions. . . . Pierside Procurement Offices are now processing the bulk of Fleet purchase requirements (which was our original objective in implementing Pierside) and are doing an outstanding job in providing the Fleet with responsive contracting support. [Ref. 38]

Figure 4.1, reproduced from Admiral Walker's memorandum, graphically displays the progress of the program in transferring the bulk of Fleet purchase requirements to pierside sites.

FLEET / PIERSIDE PURCHASING STATISTICS FY-86

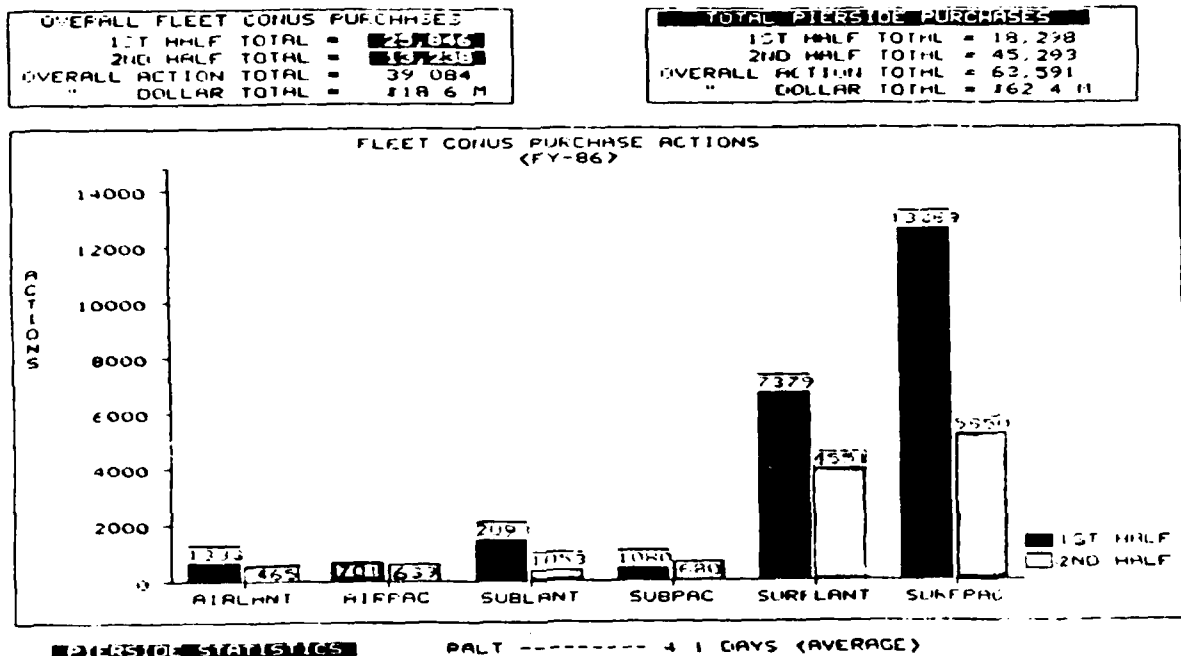


Figure 4.1 Fleet CONUS Purchase Actions, FY 86

In light of the objective that Pierside Purchasing offices process the bulk of fleet purchase requirements, the initiative has been successful. Additionally, procurement

irregularities have not made "front page" news for quite some time. The problem lies in the actual operation of the pierside offices. A letter from Vice Admiral G. W. Davis, Jr., Commander, Naval Surface Force U.S. Pacific Fleet to Admiral Walker, stated:

. . . . For the most part, afloat response to pierside procurement was positive. . . . [However] under the best conditions, pierside procurement has not been able to compete with shipboard procurement capabilities in terms of responsiveness to emergency requirements. Short-fused and high-priority requirements generated by tender availabilities of short duration pose a significant challenge. . . . For a one month period, 262 open purchase documents from Acadia were hand carried to pierside customer service at NSC San Diego. Of this total, 104 documents were not acknowledged as received by the NSC at the end of 30 days. For the remainder, the average length of time from document submittal to NSC acknowledgement was 6 days, with 51 documents delayed more than 12 days. Of the 158 documents acknowledged with a start date, 80 had not been awarded at the end of 30 days. . . . [Acadia's Commanding Officer's] communication with me was an earnest effort to identify and resolve problems, and he is aware that improvements may need to be made in Acadia as well as by NSC San Diego. Parenthetically, it is worthwhile to note that Acadia spent six weeks tending ships in the San Francisco area . . . and . . . they received superlative support from pierside purchasing at Alameda. [Ref. 39]

Thus, it can be seen that Pierside Procurement has the attention of high-ranking officials and has elicited a variety of responses. The success or failure of a program cannot be gauged by one letter or even one year of statistical data; however, it is readily apparent that Pierside Procurement has a variety of interest groups that view the program in a multitude of ways.

B. PERFORMANCE MEASURES

1. PALT

A major statistical measure of the Pierside Procurement initiative is PALT. PALT as an indicator gives the elapsed time from receipt of a ready requirement at a pierside office to the award by the buyer. PALT includes entry into the system, technical screening, and award. Conceptually, this would be a good comparison of the efficiency of various Pierside Procurement offices if PALT was uniformly calculated in the manner directed by NAVSUP. However, each site calculates PALT differently, thus distorting PALT as a comparative measure. Nevertheless it does serve as an indicator regarding how a particular NSC or NRCC is "progressing."

PALT is broken into two distinct timeframes. Prior to 1 October 1986, PALT, which did not include technical screening, was based on a goal of three days. After 1 October 1986, a goal of five days was established, which included technical screening. Tables 4.1 and 4.2 indicate PALT for all Pierside Procurement sites for FY 86 and FY 87. As the tables indicate, prior to 1 October 1986, the pierside sites achieved their goal of a three day PALT 39% of the time. After 1 October 1986, that figure rose to 72%. Regardless of the validity of the five day goal, this indicates several things. Though NAVSUP added two days for technical screening to PALT, observation by the researcher

TABLE 4.1

FY 86 PROCUREMENT ADMINISTRATIVE LEAD TIME (GOAL 3 DAYS)

	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEPT</u>
NSC Oakland	5.3	5.7	5.8	5.8	4.6	4.0	4.0	3.8
NSC Pearl Harbor	2.0	2.4	2.4	2.0	2.0	2.0	7.6	9.2
NSC Puget Sound	8.0	8.0	8.0	7.0	6.0	5.0	8.0	8.0
NSC San Diego	6.0	4.9	4.3	3.0	4.0	3.0	3.1	3.0
NRCC Long Beach	2.0	2.0	2.0	3.0	4.0	4.0	5.0	5.0
NRCC Philadelphia	3.0	3.0	3.0	3.0	3.0	2.0	1.0	1.0
NSC Jacksonville	2.8	2.3	1.8	4.0	3.6	3.5	3.7	2.5
NSC Norfolk	3.0	3.6	3.5	4.0	5.0	6.0	5.0	4.0
NSC Charleston	N/A	5.0	5.1	5.0	3.0	3.0	3.3	3.2
NRCC Naples	N/A	N/A	N/A	N/A	8.6	13.5	6.3	20.8
NSC Pensacola	N/A	N/A	N/A	N/A	2.0	1.2	1.7	1.4

Source: NAVSUP

at the pierside sites discovered that the actual screening function by the technician was actually accomplished in fifteen minutes or less for 80% of the requisitions. Obviously, this depends on the backlog, adequacy of the information on the requisition, and the difficulty involved. As support for this observation, the researcher sampled 100 requisitions submitted to a pierside site and found the average time from submission for technical screening until the requisition was returned to the input clerk was two

TABLE 4.2

FY 87 PROCUREMENT ADMINISTRATIVE LEAD TIME (GOAL 5 DAYS)

	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>WEIGHTED AVERAGE</u>
NSC Oakland	4.0	3.2	3.8	4.2	4.9	5.0	4.16
NSC Pearl Harbor	5.0	10.0	9.0	11.0	8.0	2.0	7.61
NSC Puget Sound	7.0	6.0	6.0	5.0	5.0	5.0	5.69
NSC San Diego	3.0	3.0	4.0	4.0	3.0	4.0	3.57
NRCC Long Beach	(Now NSC SAN DIEGO, LONG BEACH DETACHMENT. Data included with NSC San Diego.)						
NRCC Philadelphia	2.0	2.0	1.0	2.0	2.0	2.0	1.82
NSC Jacksonville	3.8	4.2	5.3	5.8	6.1	5.7	5.27
NSC Norfolk	4.0	4.0	5.0	6.0	5.0	6.0	5.11
NSC Charleston	4.8	4.7	4.7	5.0	5.0	5.0	4.87
NRCC Naples	5.8	5.1	7.6	8.9	7.0	11.0	8.04
NSC Pensacola	2.75	2.96	4.24	1.66	2.30	3.00	2.88

Source: NAVSUP

hours twelve minutes. Thus, the addition of two days for the technical screening function may be excessive.

PALT can also be greatly affected by a number of the following conditions: experience level, numbers of buyers and technical personnel; quality of personnel; difficulty of the buy; methods of measurement; and various other factors. The monthly productive rate (completions divided by manhours) is an indicator of the quality of personnel and

the gains/losses made. Table 4.3 shows that the rate varies from an average of .51 at NRCC Naples to 2.28 at NSC Charleston for FY 87.

TABLE 4.3
FY 87 MONTHLY PRODUCTIVE RATE

	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>CUM</u>
NSC Pensacola	2.07	2.63	2.11	1.76	1.76	1.82	2.01
NSC Charleston	2.18	2.06	2.66	2.22	2.55	2.09	2.28
NSC San Diego	1.32	2.08	2.00	2.11	2.67	2.21	2.05
NSC Puget Sound	2.00	2.00	2.00	2.00	2.00	2.00	2.00
NSC Oakland	1.64	1.32	2.15	1.62	2.16	2.07	1.76
NSC Pearl Harbor	1.58	1.79	1.94	2.82	2.06	1.97	2.04
NSC Norfolk	0.64	1.20	1.46	0.94	1.34	1.27	1.12
NSC Jacksonville	0.56	0.68	0.56	0.89	0.93	0.88	0.75
NRCC Philadelphia	1.01	1.33	1.46	1.90	1.92	1.63	1.55
NRCC Naples	0.53	0.32	0.15	0.42	0.56	1.09	0.51

Source: NAVSUP

This table provides insight into several interesting observations. Most obvious is the wide fluctuation among the activities. The monthly productive rate ranged from .15 to 2.82. This can be attributed to fluctuations in volume, experience levels, learning curves, and difficulty of buys.

Additionally, in all but two cases, the monthly productive rate showed an increase during the period October 1986 to March 1987. One would surmise that PALT should decrease during this time period; however, PALT has increased or remained the same at eight of the ten activities. With productive rates increasing and PALT also increasing it would seem to indicate that Pierside Procurement offices are experiencing problems in other areas. During the October 1986 to March 1987 timeframe while workload increased by 38%, the available manhours increased by only 10%. Possibly, NSCs and NRCCs are not staffing pierside offices with sufficient personnel to handle the increased workload.

PALT could provide a legitimate assessment of the Pierside Procurement program. However, until all NSCs and NRCCs calculate PALT in a consistent manner, it will be difficult to use as a comparison method. In many cases, accurate assessment of PALT may require funding from NAVSUP to facilitate the hiring of additional personnel.

2. Comparisons of Receipts, Completions, and Backlogs

For FY 86 and FY 87, comparisons of receipts, completions, and backlogs are invaluable as indicators of the success of the Pierside Procurement initiative. Table 4.4 shows a dramatic increase in the number of requisitions processed at pierside sites in the October 1986 to February 1987 timeframe as compared to the October 1985 to February

TABLE 4.4
PIERSIDE PURCHASE WORKLOAD
FY 86/FY 87 (FEBRUARY YTD) COMPARISONS

ACTIVITY	1986		1987				
	RECEIPTS	COMPLETE	BACKLOG	**	RECEIPTS	COMPLETE	BACKLOG
NSC Charleston	10,729	9,555	1,174	431	20,728	20,124	1,035
NSC San Diego	7,186	6,199	987	368	16,994	16,738	624
NSC Puget Sound	3,885	3,525	360	185	3,456	3,385	256
NSC Oakland	1,994	1,928	66	39	2,347	2,255	131
NSC Pearl Harbor	2,390	2,308	82	11	3,080	3,031	60
NSC Norfolk	14,284	13,455	834	202	19,501	18,921	787
NSC Jacksonville	10,069	9,120	949	376	10,636	10,222	790
NSC Pensacola	-	-	-	5	1,385	1,345	45
NRCC Long Beach*	754	754	0	0	1,889	1,889	0
NRCC Philadelphia	578	506	72	75	3,428	3,010	493
NRCC Naples	-	-	-	-	376	362	14
TOTALS	51,874	47,350	4,524	1,697	83,820	81,282	4,235

* Long Beach January YTD

** FY-87 B.WIP 4,842

Source: NAVSUP

1986 timeframe. The first five months of FY 87 saw a 61% increase in the amount of requisitions submitted to Pierside Procurement offices from FY 86 levels. At the same time there was a 5.8% increase in the total completion rate. This is indicative of the tremendous gains made in the productive rate monthly. Additionally, the backlog for FY 87 has only increased by 2,538 as compared to the FY 86 February Year to Date (YTD) backlog of 4,524.

3. Semiannual Purchase Statistics

The Semiannual Afloat Unit Purchase Statistics Report is another key indicator of whether pierside objectives are being accomplished. This semiannual report (See Appendix L) indicates the number of open purchase actions by Type Commander. The majority of the open purchase actions (20,648 of 25,855 [80%] for the first half of FY 86) were accomplished by COMNAVSURFPAC and COMNAVSURFLANT ships and therefore this section will focus on these two Type Commands.

COMNAVSURFPAC has 177 ships located in fourteen ports throughout the continental United States and overseas. Table 4.5 provides a comparative analysis of the last three semiannual reports which reveals significant progress in the area of reducing the amount of open purchases aboard SURFPAC ships. The period 1 October 1985 to 31 March 1987 saw a 70% decrease in the number of shipboard open purchase actions and a 73.8% decrease in dollar value by SURFPAC ships.

TABLE 4.5

COMNAV SURFPAC SEMI ANNUAL PURCHASING STATISTICS
FY 86 AND FY 87 (YTD)

<u>PURCHASE CATEGORY</u>	<u>1 OCT 85-31 MAR 86</u> <u>ACTIONS/DOLLARS</u>	<u>1 APR 86-30 SEP 86</u> <u>ACTIONS/DOLLARS</u>	<u>1 OCT 86-31 MAR 87</u> <u>ACTIONS/DOLLARS</u>
\$0-\$1,000	7,356/\$2,288,088	2,884/\$1,004,177	1,328/\$ 413,105
Competitive Over \$1,000	523/\$1,177,026	198/\$ 471,265	196/\$ 438,373
Sole Source Over \$1,000	302/\$ 798,376	332/\$ 669,403	111/\$ 276,862
BPA	2,283/\$1,259,406	616/\$ 24,617	518/\$ 266,693
Imprest Fund	<u>3,258/\$ 1,55,539</u>	<u>2,750/\$ 125,295</u>	<u>1,933/\$ 93,518</u>
TOTAL	13,722/\$5,678,435	6,780/\$2,475,757	4,091/\$1,488,551

Source: COMNAV SURFPAC

The average number of open purchase actions per ship was reduced from 80 to 23. This is impressive in view of the fact that six ships initiated 1,159 of 4,091 (28%) of the open purchase actions.

SURFPAC has been proactive in attempting to reduce the number of open purchases aboard their ships.

Messages were sent to all SURFPAC afloat commands who reported 80 or more procurement actions on the previous semiannual purchase statistics reports requesting they . . . take corrective action as appropriate to reduce the number of open market procurement actions to as close to zero as possible. . . . In addition, COMNAVSURFPAC is reviewing monthly reports on open purchases contracted by its ships and challenging those purchases that do not fall into [COMNAVSURFPAC] guidelines. . . . Although COMNAVSURFPAC has not removed procurement authority at the shipboard level, use of this authority is restricted to support mission essential, high-priority, short-fused requirements. The use of ashore contracting facilities has been strongly encouraged. . . . [Ref. 14]

SURFPAC also monitors their ships by reviewing all bills paid by the Fleet Accounting and Disbursing Center, U.S. Pacific Fleet (FAADCPAC). If a purchase appears "questionable," SURFPAC will request that all relevant documents in the Purchase Order file be forwarded to SURFPAC for review. Subsequent reviews have indicated that 95% of these purchases were not mission-essential.

COMNAVSURFLANT, the largest of the six TYCOMs, has approximately 195 ships located in twelve ports throughout the continental United States and overseas. SURFLANT actively monitors shipboard purchasing actions and has also shown significant improvement in reducing the amount of open purchase actions. COMNAVSURFLANT continues to be the most

stringent TYCOM in its policy permitting ships to open purchase material. They only permit open purchase of repair parts costing less than \$500 or any open purchase may be made if it is after working hours and the ship is deploying the next day. SURFLANT appears to be a strong advocate of the Pierside Procurement initiative. Table 4.6 indicates a 68.2% decrease in the number of open purchase actions from 1 October 1985 to 31 March 1987 and a 62% decrease in dollar value during the same time period.

Open purchases will never be reduced to zero. Pierside Procurement offices are not located in every port and there will always be a few instances of a valid emergency requirement; however, the Semiannual Purchase Report indicates significant reductions in the amount of open purchase actions aboard ships. TYCOMs have let their ships know that each open purchase is subject to scrutiny and they will no longer tolerate an open purchase because of a "perceived" emergency. Ships are realizing that only bonafide emergency requirements should be purchased and flagrant abuses of purchasing and TYCOM regulations will be dealt with accordingly. In some cases this has meant the ship has lost all purchasing authority.

C. CUSTOMER VIEWS

1. Supply Perspective

Statistical data are useful, but the best way to assess the Pierside Procurement program is to ask the people

TABLE 4.6
COMNAV SURFLANT SEMI-ANNUAL PURCHASING STATISTICS
FOR FY 86 AND FY 87 (YTD)

<u>PURCHASE CATEGORY</u>	1 OCT 85-31 MAR 86 <u>ACTIONS/DOLLARS</u>	1 APR 86-30 SEPT 86 <u>ACTIONS/DOLLARS</u>	1 OCT 86-31 MAR 87 <u>ACTIONS/DOLLARS</u>
\$0-\$1,000	5760/\$1,625,878	3,391/\$1,006,000	1,754/\$ 479,000
\$1,000-\$10,000	755/\$1,822,987	641/\$1,130,000	307/\$ 873,000
\$10,000-\$25,000	18/\$ 282,830	17/\$ 225,000	2/\$ 26,000
Imprest Fund	844/\$ 47,129	284/\$ 13,600	242/\$ 14,600
Over \$25,000	2/\$ 64,480	1/\$ 28,200	2/\$ 68,900
TOTALS	*7379/\$3,843,304	*4,334/\$2,402,800	*2,307/\$1,461,500

*Figures do not include foreign purchases

Source: COMNAV SURFLANT

directly affected. This researcher interviewed personnel from over 40 ships by telephone or personal interview. The personal interviews took place in Pierside Procurement offices or onboard ships and included Supply Officers, Assistant Supply Officers, Storekeeper Chiefs, and Supply Petty Officers. Additionally, views were solicited from five Supply Officers who recently detached from ships.

The consensus was that Pierside Procurement was long overdue as an initiative. The Supply Officers were pleased to be able to rid themselves of the purchasing function. Said one Supply Officer,

Pierside Procurement puts the buying function in the hands of experienced buyers, where it belongs. I didn't have the time or the resources to make an intelligent buy that would conform to all purchasing regulations.

As with all initiatives, "growing pains" are a part of the process. The Pierside Procurement offices were required to begin operations in a relatively short time-frame. Numerous problems were encountered and initial resistance to change was evident. The following is an excerpt from an Atlantic Fleet customer message:

. . . there are ways to prevent unauthorized purchases without throwing the baby out with the bath water. It is recommended that the Defense Small Purchase Course be made a part of the training pipeline for afloat Supply Officers . . . incorporate this additional training into the refresher [SORT] course. Then hold the suppo [Supply Officer] accountable for the proper and legal procurement of material. . . . Put some teeth into enforcing . . . effective correct procurement . . . and this will enable the C.O. to have the procurement authority he needs to meet his commitments. The bottom line is that this policy is not helping the ships and is a considerable obstacle to mission readiness. [Ref. 40]

This researcher found the majority of Supply Officers interviewed for this study to be pleased with the system. The five recently detached afloat Supply Officers were present during the infancy of Pierside Procurement and experienced the "growing pains." As a group they felt Pierside Procurement has shown marked improvement. Said one:

Initially, Pierside Procurement was so slow that we [ship] procured the majority of open purchases and documented why we did it. However, before I left the ship, pierside improved markedly and we sent 99% of our requisitions to pierside.

Current problems vary in degree depending on the site utilized, the TYCOM involved, and the customer interviewed. Responses, such as the following, were typical of those encountered by this researcher:

The response is good and it is getting better. Over the past year, there has been a dramatic improvement in turn-around time. It is a Supply Officer's dream because it takes the burden off of me. The engineer hates it because he can't buy all the handy-dandy tools he used to. Overall I'm pleased with it.

The whole system makes more sense than getting "bounced around" NSC. I deal with one person and I'm satisfied 95% of the time. The central location is closer and more convenient than NSC. Pierside is very responsive and will not cancel a requisition unless there is a dialogue [between NSC and the ship]. Occasionally, we don't get a hard-copy of the contract until after the material arrives onboard, but the system is working as far as I'm concerned.

The negative comments on the other hand, were primarily from large ships with Commanders as Supply Officers. This is not surprising, since they are more experienced and feel they should be given more latitude.

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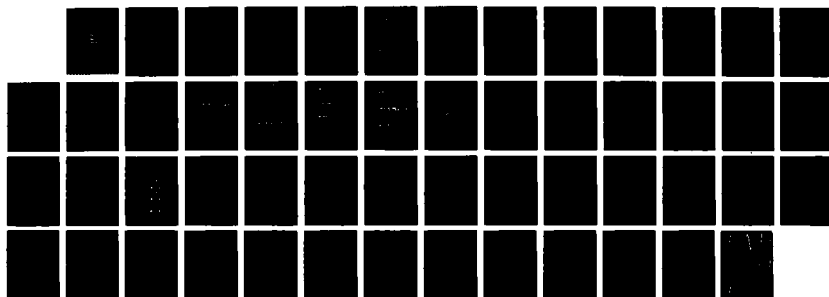
AN ASSESSMENT OF THE PIERSIDE PROCUREMENT INITIATIVE
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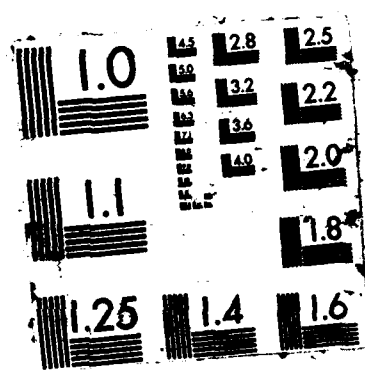
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making purchasing decisions. However, it was noted that none of those interviewed wanted the purchasing function returned to their responsibility. Whereas the Supply Officers of smaller ships were generally relieved about the transfer of the purchasing function and heartily endorsed Pierside Procurement, Commanders were, for the most part, moderately enthusiastic. Said one Supply Officer of a large afloat unit:

NSC is competing to complete. Many buyers are too apprehensive to say if a buy less than \$1,000 is "fair and reasonable." They'll come back to me and ask me to certify price reasonableness even for \$5.00. If it is a judgment call, they always side on the side of caution. It seems as if we're spending \$40.00 or \$50.00 to save \$5.00.

Another Supply Officer of a large afloat unit commented:

Overall Pierside Procurement is good, however, we have encountered a few glitches. Too many requisitions are being returned because we failed to cross a "T" or dot an "I." Additionally, we are not always notified when a requisition is cancelled.

Finally, to complete the spectrum, a Supply Officer of a large afloat unit supported Pierside Procurement with the statement:

Pierside Procurement did an excellent job in getting us ready for deployment. . . . People must realize it is just going to take longer [to receive material]. . . . We [ships] lost the purchasing function because we didn't do it right. If there are any problems now they are usually self-imposed. For example, we have turned in requisitions with no part number and only one-third of the blanks filled out.

From these comments one can see that Pierside Procurement has enjoyed varying degrees of customer

satisfaction. It appears, however, that most customers want it to succeed and are working toward that end.

2. Commanding Officer Views

Though no Commanding Officer (C.O.) views were solicited, Supply Officers were asked how the C.O. viewed Pierside Procurement. In the cases where the C.O.'s views were known, they were generally negative or neutral. However, one Supply Officer, whose C.O. particularly disdained Pierside Procurement, said:

The C.O. hates it because he wants things yesterday. He sees a slanted view. He only hears about the 1% of the time that Pierside Procurement fails to respond to the ship's requirements and not about the 99% of the time when Pierside Procurement responds quickly to our needs. I'm pleased with pierside but the Captain never will be.

Another Supply Officer commented:

The C.O. thinks it is a good idea, but he fears the system will become inflexible and part of a big bureaucracy.

Several other comments from Supply Officers indicated their C.O.'s were disenchanted, but were not about to try to understand the system. Other comments indicated that the C.O. did not know or care what Pierside Procurement was as long as the ship had the necessary material onboard to get underway.

Though C.O.s are not universally sold on the process, the walls of Pierside Procurement offices are covered with plaques and ship's pictures conveying thanks to the personnel who man these offices. One such picture from

the USS Milwaukee to the personnel at the main Pierside Procurement site in Norfolk said:

Thanks for your super support! We on the Milwaukee appreciate everything you have done to help us prepare to deploy and the fleet we support will appreciate it too!

(signed)

S. STURN
COMMANDING

A message from the USS John F. Kennedy to NSC Norfolk stated:

After . . . experience with the NSC Norfolk pierside purchasing facility JFK is pleased. The professionalism and dedication exhibited by assigned personnel . . . has been impressive. As a result of their responsiveness and efforts to keep things simple rather than complex, JFK has received all urgent requirements . . . within required timeframes. . . . They are aggressively attacking fleet purchase requirements and are to be commended on their superb efforts. JFK is committed to the pierside purchasing concept and looks forward to even greater success. . . . Captain McGowen sends. [Ref. 41]

D. INSPECTION TEAMS

The Readiness Support Groups at Norfolk and Charleston, and the SMI Team in San Diego, have favorably viewed the Pierside Procurement initiative. When queried, the inspectors could recall only a very few negative comments. They found that the "growing pains" had subsided and most customers were pleased with the initiative.

RSG Norfolk's SMIs include Pierside Procurement as a TYCOM "special interest" item. Thus, each inspection contains a comment on a ship's "experience" with pierside. Most comments have been favorable with few derogatory comments.

SURFPAC conducts a thorough inspection into shipboard procurements during an SMI. Improvements in the quality and quantity (lack thereof) of open purchases have been noted by inspectors. Though not as enamored with Pierside Procurement as their east coast counterparts, they see it as a viable solution to the shipboard procurement problems of the past.

SUBLANT inspectors also see it in a favorable vein. One inspector commented:

It gets the job [purchasing] off the ship. Now ships don't have to call vendors, there is no typing of contracts and little file maintenance. Yet, the ships retain purchasing authority if they need it. Additionally, the ships are relieved of the auditing function. It takes the workload and the pressure off the ships.

SUBLANT inspectors have received few complaints regarding Pierside Procurement and have had a "good experience with it." In particular, they feel as they have saved substantial shipboard manhours by the ship not having to solicit competition or maintain as many files.

E. CONTRACTORS' ASSESSMENT

This researcher held telephone interviews with thirty contractors in the geographic areas of Norfolk, Charleston, and San Diego. The results varied greatly depending on the area surveyed. Contractors were asked what they thought of Pierside Procurement and how it affected their business.

Norfolk contractors, for the most part, were adamantly against Pierside Procurement. Their comments were interesting and a cross-section are listed below:

Do away with it. We have lost communications between the buyer and the ship. The engineer used to buy from us and he knew what he wanted--buyers at pierside don't. The buyers are incompetent. . . . Companies are going under. The larger companies are surviving and smaller companies closing down. The industrial base is shrinking. . . . We go aboard ship, do the legwork, tell the ship what it needs and then pierside gives the contract to someone else. We are learning to say "No."

Another contractor commented:

There is an air of fear at NSC. . . . The Navy is trying to spread around business and in doing so they cut their own throat. They waste more money because of "junk" they are receiving. . . . Before pierside my profit was 25%-30% and now it is 17%-18%. . . . In theory it [Pierside Procurement] is working, but it is causing much discontent.

A third contractor said:

It stinks. It hurts the ship more than anything else because it holds up the procurement. . . . The personnel at pierside are good and polite but they could improve by becoming educated on what they are buying. . . . My business has increased slightly since pierside.

Finally, a fourth disgruntled contractor commented:

The biggest problem with Pierside Procurement is that the buyers are not evaluated on whether the ship meets its commitments. We're well aware of delivery but buyers are only looking at low price. We help ships determine what they want and then Pierside Procurement shops up and down the east coast. . . . Pierside Procurement should have some allegiance to the local economy.

Charleston area contractors were generally less "concerned" than Norfolk contractors. Comments such as "I have no feelings one way or the other" were prevalent.

However, a few contractors were ruffled as evidenced by the following:

Yes, it has affected business. Now, the buyer doesn't know what the Navy wants. Often they ask for the wrong MILSPEC. . . . There is a lack of understanding and they don't learn. Often, the ship receives the wrong material and the ship will then call me for assistance.

San Diego area contractors fall between Norfolk contractors and Charleston contractors in their comments.

One San Diego contractor stated:

I have lost over half of my business. I have had to cut my labor force from twenty-two to eight. . . . We go aboard ships and show uniforms that are eye-appealing and pierside will put out a bid and buy from the cheapest bidder.

Another disgruntled contractor said:

I do not like it because we put salesmen onboard ships to find out what they want and then pierside goes and buys it where they want to.

Conversely, one contractor was pleased with pierside and commented:

We have a good rapport with North Island [NAS North Island pierside site]. We have no difficulties with Pierside Procurement. . . . Our business has increased slightly.

Pierside Procurement appears to have had a definite effect on contractors. In many cases, contractors fail to understand the Navy's procurement system and the requirement for competition. The contractors that have been hurt the most are the ones who "worked" the ships. Many Supply Officers would become "regular" customers and buy exclusively from one vendor. Competition, spreading around business, and a fair and reasonable price, were not prime

considerations before the NAS Miramar and USS Kitty Hawk cases. Now contractors cannot "work" ships and expect business because the procurement decision is in the hands of the Pierside Procurement office.

F. TRAINING

Training affects Pierside Procurement in the area of document preparation. Primarily, training is required to ensure the ship receives the proper material. Correct and complete document preparation can also expedite a purchase, just as incomplete or incorrect documentation can cause an unnecessary delay. As previously mentioned, pierside supervisors cited poor technical descriptions as the "number one" problem with shipboard requisitions.

The Navy has significantly improved training in the area of procurement during 1986-1987. A new 2 1/2 day Afloat Small Purchase Course was completed in January 1986. In just over one year, 560 fleet personnel have taken the Afloat Small Purchase Course and 290 fleet personnel have taken the five day Defense Purchase Course. Additionally, the SORT Course at NSCS Athens has been expanded to include a full week of procurement training. The Basic Qualification Course (BQC) taught to all new Supply Officers and the SORT Course have both been certified to meet the NAVSUP P-560 requirement of, "All personnel involved in the purchasing function (e.g., contracting officers, storekeepers, buyers, and BPA callers) shall attend a NAVSUP

authorized Small Purchase Course." [Ref. 20:13.103-1]
Finally, some Pierside Procurement personnel go aboard ships and train Supply Petty Officers on the proper techniques in filling out requisitions for submission to pierside. This has proven to be a highly desirable and inexpensive method of training.

G. COMPETITION

Generally, competition is solicited for purchases above \$1,000, but a "fair and reasonable" price determination for purchases less than \$1,000 is virtually non-existent. This researcher examined 250 purchasing actions of less than \$1,000 at various pierside offices. Only four purchases indicated competition as a method of determining a "fair and reasonable" price. (This excludes GSA mandatory schedules and the Imprest Fund.) One particularly astute buyer noted, "It is with the purchases under \$1,000 where the vendors think they can get it over on us." She was the exception rather than the rule. It is hard to imagine that only 1.6% of the time, competition is used to make the "fair and reasonable" determination.

Another area of concern is competitive solicitation for purchases over \$1,000 when two "no bids" are received. In each case where a buyer was queried as to whether he/she would seek additional competition, they said, "No." At one site, this researcher examined thirty "competitive"

purchasing actions (no sole source) over \$1,000--fifteen had only one bid, eleven had two bids and four had three bids.

The final area of competition examined was sole-source buys. Of ninety-four purchase actions over \$1,000, thirty-three were sole-source. Some of the justifications for sole-source procurement were as follows:

"Compatible with existing components"

"Price decreased from last purchase"

". . . is the manufacturer of the camera. . . "

The above "justifications" are subject to scrutiny during Procurement Management Reviews.

H. SUMMARY

This chapter has provided an assessment of the Pierside Procurement initiative from several different perspectives. Statistical measurements, customer assessments, Commanding Officer perspectives (as seen by the Supply Officer), inspection team comments, and contractor viewpoints were presented and discussed. Customers and inspection teams were generally pleased with pierside and view the initiative as a viable solution to the shipboard procurement problem. Commanding Officers viewed pierside as an impediment to the procurement process and an initiative which limits a ship's flexibility. Finally, depending on the area, contractors had "mixed" feelings regarding pierside. These assessments represent a small sample of the population and are not all encompassing.

V. CONCLUSIONS AND RECOMMENDATIONS

As a result of this study, the following conclusions are presented.

A. CONCLUSIONS

Implementation of the Pierside Procurement initiative was haphazard.

Pierside Procurement started without facilities, personnel, or money. Naval Supply Centers and Naval Regional Contracting Centers were expected to reassign personnel within their activities; find space, equipment, and furniture for the pierside office(s); and provide "responsive contracting support," all within two weeks. This would have been a difficult task even under the best of conditions.

Resourcing for Pierside Procurement is "perceived" as a problem.

Productive Unit Resourcing (PUR) is a new initiative and Naval Supply Centers and Naval Regional Contracting Centers have "mixed" reactions as to the adequacy of funding provided by PUR. Three Supply Centers indicated that the negotiated rates were totally inadequate for their Pierside Procurement operations. One Purchase Director related, that since the determination of his negotiated rate, much of his business has gone to pierside (where the buys are more

expensive) from NSC (lower rate) and thus he is losing money. This is only one of a few problems found to date and Pierside Procurement is often the area that gets "short-changed" under PUR if resources become sparse.

The Automation of Procurement and Accounting Data Entry System (APADE) has the potential to greatly enhance the Pierside Procurement buying process.

A recently developed initiative, APADE has all the earmarks of revolutionizing the buying process. Though there have been problems with implementation, the potential for APADE as a management tool and buyer's aid are readily apparent. As APADE comes "on-line" and personnel learn the system, productivity should increase while PALT and backlogs should decrease.

The customer base must be redefined to exclude shore-based activities.

It is unsatisfactory for pierside sites to make purchases for shore-based activities. Ships should not have to "compete" for resources when the intent of Pierside Procurement was to alleviate shipboard procurement problems. It appears counterproductive for a pierside site to buy for shore-based activities and add to an already increasing shipboard PALT.

Training is improving in the area of small purchasing.

Small purchasing, which constitutes nearly 100% of Pierside Procurement buys, has several programs/courses

intended to enhance a buyer's "qualifications." The Defense Small Purchase Course and the tailored 2 1/2 day Fleet Small Purchase Course are two such courses. Both courses meet the NAVSUP requirement to certify all personnel involved in the purchasing function and graduates of the 2 1/2 day course are issued NAVSUP certificates. The Navy has also recently approved a Navy Enlisted Classification (NEC) for purchasing which should help to alleviate problems, such as technical description, before they get to pierside offices.

The physical locations of Pierside Procurement sites must be made more accessible to ships.

At all five of the locations visited, it is possible that a ship would not be within walking distance of a pierside office. Though in many cases it would not be cost-effective for every ship to be near pierside offices, it is possible that ships will open purchase rather than go to pierside to procure material, due to the distance involved. NSC Norfolk and NSC Charleston satisfy the requirement for offices within walking distance in the majority of cases. NSC San Diego has the greatest problem with physical location. Presently, the main pierside site at 32nd Street is inaccessible to approximately 70% of the ships.

The technical screening function should be located in, or adjacent to, the actual Pierside Procurement site.

The lack of, or the distant location of, a technical screening function poses hindrances to the effectiveness of

the program. If no technical screening exists, it is conceivable that many items with National Stock Numbers are being procured on the open market. Additionally, buyers may be purchasing the wrong material due to poor or inaccurate technical data. If the technical function is located away from pierside sites and the technician discovers a problem with the requisition, the chance for clarification is virtually non-existent and the requisition could be rejected, cancelled, or the wrong material procured.

Technical information provided by shipboard personnel on the requisition is inadequate.

The biggest shipboard problem, according to Pierside Procurement personnel, is the lack of adequate technical data on requisitions. As mentioned in Chapter III, this is a major problem because the ship experiences a delay in receiving material or it receives the wrong material. Thirteen Supply Officers interviewed admitted they had submitted requisitions with inadequate or incomplete technical data. The COMNAVSURFPAC survey indicated the majority of the requisitions returned to ships were due to inadequate or incomplete technical data. This adds to PALT and further distorts this measure of procurement effectiveness.

In its present form, PALT is inefficient as a measurement of the effectiveness and timeliness of the Pierside Procurement initiative.

The problem, as noted in Chapter III, is prevalent throughout Pierside Procurement sites. If PALT was measured in accordance with NAVSUP guidance, it would be significantly greater at pierside sites and the five day goal would be met infrequently, if at all. The measurement of PALT must be standardized throughout the ten reporting Naval Supply Centers and Naval Regional Contracting Centers to have any validity.

PALT has increased during the period 1 October 1986 to 31 March 1987.

The data presented in Chapter IV portray this trend. PALT is increasing while the monthly productive rate is also increasing. This is indicative of an increase in volume while, at the same time, available manhours are not keeping up with demand.

Pierside offices are not adequately staffed with clerical personnel.

Most of the Pierside Procurement offices visited did not have the capability to type their own DD 1155s. Paperwork was usually sent back to the NSC to be typed and returned to the pierside site. This adds to PALT and the likelihood the requisition could be lost.

Supervisors are knowledgeable and extremely customer-oriented.

All supervisors interviewed, with one exception were extremely knowledgeable and customer-oriented. This researcher was particularly impressed by the number of shipboard Supply Officers who knew the supervisors by name. All supervisors were knowledgeable in the requirements of the Federal Acquisition Regulation (FAR), Navy Supply Acquisition Regulation Supplement (SUPARS), and local directives and policies. Though they operate in a high-pressure environment, they appear to handle the pressure well. The only problem observed during this study was that supervisors are so overwhelmed with work that frequently they did not have time to verify the work of their subordinates.

Buyers, in many cases, lack the fundamentals and/or the time to make good, cost-efficient purchases.

Buyers operate in a high pressure, quick-paced environment that demands quantity and quality. Quality is emphasized, but many times it is sacrificed in order to meet increasing volume requirements. During the period 1 October 1986 to 31 March 1987, workload increased by 38%, while available manhours increased by only 10%.

As outlined in Chapter III, buyers often have problems in making a simple determination of a "fair and reasonable" price. They are too quick to accept a ship's recommended

source for a procurement of less than \$1,000 and, in a majority of the cases, will not question "price reasonableness." For purchases over \$1,000, they often accept two "no bids," even when they have no idea of "price reasonableness." Justification for sole source purchases is severely lacking and would be questioned during a Procurement Management Review.

B. RECOMMENDATIONS

1. Establish a semi-annual conference on Pierside Procurement at Naval Supply Centers and Naval Regional Contracting Centers to keep Commanding Officers apprised of changes, initiatives, and problems.

Many COs only understand that Pierside Procurement delays receipt of their requisitions and they cannot get whatever they want at any time. As discussed in Chapter IV, the CO has a "slanted" view of Pierside Procurement. As a new generation of post-Kitty Hawk and post-Miramar COs take over, memories of past procurement debacles are slowly fading. COs must be made aware of "why" Pierside Procurement exists and "how" it can help them.

2. Process requisitions only for ships at Pierside Procurement offices.

Pierside Procurement was established for ships, hence all resources and energies should be channeled toward these units. Shore activities should submit their requisitions to the local NSC/NRCC.

3. Close Pierside Procurement offices on Saturday.

The volume of business does not appear to justify opening pierside offices on Saturdays. Additionally, businesses are generally closed on Saturdays. If pierside offices are open on Saturdays, they should only be open for half a day as the businesses they utilize usually close at 1200 or 1300.

4. Place buyers onboard tenders.

This has been done successfully in the past. During a visit to a destroyer tender, the Assistant Supply Officer related how the flexibility of a buyer onboard greatly enhanced readiness. Although the buyer's PALT was measured at 13.1 days, the ship extolled the virtues of having that buyer onboard. The ship could set the buyer's priorities thus focusing on their unique requirements. With two west coast destroyer tenders submitting nearly 15% of the open purchase requisitions for SURFPAC, this has proven to be a viable program.

5. Ensure all pierside sites have an adequate number of clerical personnel physically located in the pierside office.

Insufficient clerical personnel requires buyers to send their requisitions to the NSC/NRCC for typing. This not only increases PALT but also increases the probability the requisition could be lost. Sufficient clerical personnel would alleviate the above problems and increase the chances

of Pierside Procurement attaining the goal of a five day PALT.

6. Locate the technical screening function at the Pierside Procurement office.

This would facilitate dialogue between the technician and the customer. Problems with technical data or requisitions could be handled immediately and thus preclude requisitions from being rejected, cancelled, or the wrong material procured.

7. Exclude supervisors from buying responsibilities at Pierside Procurement sites.

This would free supervisors to audit buyers' work and ensure buyers are properly trained. This researcher observed supervisors providing status, soliciting competition, and making awards. Supervisors should supervise and provide guidance, support, and training.

8. Type Commanders "police" their ships for inordinate numbers of bearer walk-thrus.

TYCOMs must ensure ships are not abusing the priority system by submitting bearer walk-thrus for such items as detergent, plastic spoons, and wax. An effective Pierside Procurement organization will not become a reality without TYCOM participation and vigilance.

9. Standardize and enforce the measurement of PALT throughout all Pierside Procurement locations.

Without a standardized method for determining PALT, it cannot be used to compare pierside offices in a meaningful manner. NAVSUP's guidance is explicit, but is not being

followed. A PALT measurement using the parameters promulgated by NAVSUP would provide a meaningful base from which pierside operations could be evaluated.

10. Establish a means to quantify the benefits that accrue as a result of crossing requisitions to National Stock Numbers.

This statistic was initially kept at some pierside sites and provided valuable information. It serves as a measure of performance for technicians and for shipboard technical personnel. Additionally, valuable information could be compiled on the amount of dollars saved as the result of crossing requisitions to NSNs.

11. Evaluate the effectiveness of buyer pick-up and delivery of urgently required, locally purchased, non-standard repair parts and supplies.

NSC Jacksonville and NSC Charleston have started innovative programs where they pick-up urgently required material and deliver it to the ship (the same day in most cases). This would save manhours that normally would have been spent by a sailor awaiting requisition processing and then picking up the material.

12. Develop a system to enable Pierside Procurement offices to adequately track a requisition from receipt to delivery.

Most Pierside Procurement offices can track a requisition from its receipt to award; however, after award they are unable to provide specific status. Pierside offices can only tell a customer when an award was made, who it was made to, and an expected delivery date. NSC

Charleston's "Roadrunner" service is one way to centralize receiving. It is NSC Charleston's intention to eventually receipt for all material at a central receiving point and have contract administrators actively monitor contractors and deliveries.

13. Disseminate status to ships on a regular basis.

Ships do not have the time or resources to call Pierside Procurement for status on all requisitions. Additionally, some Supply Officers are unaware of the availability of printed status. A weekly "Pierside Procurement Status Report/Message" should be provided to all customers. If ships are inport, the report should be made available for pick-up on a weekly basis. If a ship is underway, message status should be provided for all requisitions.

14. Provide customer survey sheets at all Pierside Procurement offices.

Customer surveys provide meaningful insight and feedback regarding the viability of a program. NSC customer survey sheets are simple, easy to fill out, and have provided helpful feedback to pierside offices such as NSC Charleston. Surveys provide an important interface between the Pierside Procurement office and the customer to the benefit of both parties.

15. Conduct Procurement Management Reviews (PMRs) at Pierside Procurement sites on an eighteen month cycle.

PMRs will surface problems in the Pierside Procurement area that arise due to a lack of training, rapid turnover,

and incompetency. PMRs are required to raise the level of proficiency at pierside sites and to identify current and potential problems.

C. ANSWERS TO RESEARCH QUESTIONS

Subsidiary Research Question 1. What are the key aspects of the shipboard procurement problem? Shipboard Procurement problems revolve around the ship's lack of experience and training in the area of open purchases. Shipboard personnel do not possess the knowledge, time, or resources to make effective purchases within the rules and guidance established by the regulatory agencies. Specific problem areas include: failure to rotate business for purchases under \$1,000; failure to compete or justify sole source procurements; splitting purchase orders to exceed procurement authority; and procurement with large businesses.

Subsidiary Research Question 2. What were the principal problems in implementing Pierside Procurement? The principal problems involved in the implementation of Pierside Procurement are documented in Chapter III. Initially, lack of resources provided the major hindrance to the success of the Pierside Procurement initiative. Resources had to be taken from the Naval Supply Center and Naval Regional Contracting Center assets. This initial three-four month period was fraught with inefficiencies at all pierside sites. Other principal problems included:

lack of/or no technical screening function at pierside sites; inadequate technical data provided by shipboard personnel; inordinate numbers of bearer walk-thrus; lack of standardization of buying practices among pierside sites; and problems in the measurement and concept of PALT. The PALT "issue" is a particularly disturbing one and must be remedied immediately for Pierside Procurement to be properly evaluated. Mentioned above are the major problems as identified by the research; however, numerous other problems are also addressed.

Subsidiary Research Question 3. What are the principal benefits of Pierside Procurement? The principal benefits in removing the buying function from ships are: an increase in competition; more cost-effective buys; better attainment of socio-economic goals; relieving ships of resources required and pressure involved in buying on the open market; and keeping horror stories off the front pages of the newspapers. Most importantly, the purchasing function is being performed by buyers who are making more cost-effective purchases within the policy and guidance regulations.

Subsidiary Research Question 4. What are the present standards for measuring the effectiveness of Pierside Procurement and are they adequate? The research indicates that Pierside Procurement is evaluated on PALT, number of receipts at Pierside Procurement, number of open purchases placed by ships, and completions and backlogs. The

calculation of PALT, as a measurement of effectiveness, is flawed and presently serves to distort most assessments of Pierside Procurement. Guidelines imposed by NAVSUP provide an adequate measure of the program, but they are not being followed at most pierside sites. The number of requisitions received at pierside offices and the number of open purchases placed by ships are easily measured and give a good indication if pierside procurement is accomplishing its objective--the transfer of open purchases ashore. Thus far, it is successful in this area. The number of actions completed has increased drastically, while backlog fluctuates but has risen slightly. Actions completed and backlog are indicative of manhours, quality of personnel and learning involved. Finally, the lack of any major procurement horror story concerning shipboard purchasing in the recent past is an indicator of the success of the program.

Subsidiary Research Question 5. Will the use of the new Automation of Procurement and Data Entry System improve the Pierside effort? APADE is a new initiative that should greatly enhance the buying process. Early results are "mixed," but interviewees agree that APADE should provide pierside offices with modern, state-of-the-art buyer support services. A shorter PALT and more efficient purchases will be the result when APADE is fully implemented at all pierside sites.

Principal Research Question. How effective is Pierside Procurement and is it a viable solution to the shipboard procurement problem? Pierside Procurement has achieved substantial success relative to its original objectives. Most open purchases are not made by ships, purchases are made at pierside sites, horror stories are at a minimum, and PALT (although calculated incorrectly) is achieved the majority of the time. The problems lie in the operation of pierside sites and in the measurement of PALT. Generally, customers are pleased, but feel the system could be improved. Better status and improved customer service are just a few of the ways to improve the operations of Pierside Procurement. APADE should significantly improve PALT and the quality of purchases when fully implemented. Pierside Procurement is a viable solution that needs improvement--particularly in its statistical calculation of PALT. Standardization of PALT is the first step to improving Pierside Procurement.

D. AREAS FOR FURTHER RESEARCH

Research conducted for this report has provided the basis for further study and action in the following areas:

- 1) Examine the costs and benefits of the Pierside Procurement initiative.
- 2) Examine the PUR system one year after implementation and determine if PUR is providing the resources required for Pierside Procurement.

- 3) Develop a more efficient method of measuring PALT that can be easily implemented at all Pierside Procurement sites.
- 4) Perform a comparative study of productivity gains/losses of APADE approximately two years from implementation to determine its impact on Pierside Procurement.

PHASING PLAN**PHASING PLAN**

COMPLETION DATE	ACTIVITY	PHASE I		PHASE II		PHASE III		PHASE IV	
		EST / EXP PIER OPS	CUM E/S	INCREASED E/S PEPM FAC	CUM E/S	INCREASED E/S PEPM FAC	CUM E/S	COMPLETE IMPLE	
		[15 OCT 85]		[31 DEC 85]		[31 MAR 86]		[30 JUL 86]	
			CUM E/S	CUM E/S	CUM E/S	CUM E/S	CUM E/S		
	NRCC LONG BEACH		4	8	11		17		
	NRCC NAPLES		-	-	5		7		
	NRCC PHILADELPHIA		3	6	9		16		
	NRCC WASHINGTON		-	-	2		2		
	NSC CHARLESTON		5	11	22		26		
	NEC JACKSONVILLE		5	8	16		12		
	NSC NORFOLK		21	41	65		99		
	NSC OAKLAND		4	8	12		21		
	NEC PEARL HARBOR		-	4	8		20		
	NSC PUGET SOUND		3	4	8		15		
	NSC SAN DIEGO		15	30	51		79		
	NSD GUAM		-	-	3		5		
	NSD SUBIC		-	-	3		5		
	NSD YOKOSUKA		-	-	5		16		
CUMULATIVE END STRENGTH		[60]		[120]		[220]		[350]	
RESOURCES \$(000)		LABOR \$		\$ 816		\$ 1,590		\$ 3,570	
NON-		LABOR \$		\$ 214		\$ 246		\$ 556	
TOTAL		\$ 90		\$ 1,030		\$ 1,836		\$ 4,126	
CUM TOTAL		\$ 90		\$ 1,120		\$ 2,956		\$ 7,082	

DISTRIBUTION OF RESOURCESDISTRIBUTION OF RESOURCES

	BUYERS ADMIN. CLERIC.	CMR	TECH REVIEW	TOTAL
NRCC LONG BEACH	14	1	2	17
NRCC NAPLES	5	2	-	7
NRCC PHILADELPHIA	10	5	1	16
NRCC WASHINGTON	-	2	-	2
NSC CHARLESTON	22	7	2	31
NEC JACKSONVILLE	15	-	2	17
NSC NORFOLK	85	9	10	104
NSC OAKLAND	16	3	2	21
NSC PEARL HARBOR	11	7	2	20
NSC PUGET SOUND	7	6	2	15
NSC SAN DIEGO	63	13	8	84
NSD GUAM	5	-	-	5
NSD SUBIC	5	-	-	5
NSD YOKOSUKA	8	7	1	16
TOTAL	266	62 *	32	360

* 36 CMR END STRENGTH REQUIRED FOR FLEET INSPECTION AND TRAINING. THE REMAINING 26 CMR END STRENGTH REQUIRED FOR CMR REVIEWS OF SHORE ACTIVITIES (PRICING, TECH., TNG., INSP.).

APPENDIX C

SMALL PURCHASE DOCUMENTATION SHEET

1. Purchase/D.O. No. _____ FSS Contract No. _____ BPA No./Call No. _____ Imprest Fund No. _____	2. <input type="checkbox"/> Fast Pay <input type="checkbox"/> Fleet Fast Pay <input type="checkbox"/> Warranty Applies <input type="checkbox"/> Do _____ Dx _____ Rating _____ <input type="checkbox"/> Qty Inc. _____ % Decr _____ <input type="checkbox"/> Bilateral return _____ copies	
3. Foreign Item <input type="checkbox"/> No <input type="checkbox"/> Yes, Justification attached 5. NSN <input type="checkbox"/> No <input type="checkbox"/> Yes, Justification for open market purchase attached	4. <input type="checkbox"/> Award All Or None (Attach DD Form 1784) <input type="checkbox"/> One Quote which is greater than \$1000 (attach price reasonableness justification) <input type="checkbox"/> GFP \$ _____ Acq Value _____ <input type="checkbox"/> SB Set aside Dissolved (Attach Memo)	
6. SOURCE: <input type="checkbox"/> Federal Prison Industries (FPI) <input type="checkbox"/> Blind and Other Severely Handicapped <input type="checkbox"/> Federal Supply Schedule (FSS) <input type="checkbox"/> -Mandatory FSS <input type="checkbox"/> -Optional FSS <input type="checkbox"/> -Multiple Award <input type="checkbox"/> -Award to Lowest Source <input type="checkbox"/> -Award to other than Lowest Source (attach Documentation) <input type="checkbox"/> Single Award <input type="checkbox"/> Other (e.g. Award using any other DOD contract) <input type="checkbox"/> Open Market <input type="checkbox"/> -BPA <input type="checkbox"/> -Imprest fund <input type="checkbox"/> -SF 44	7. Ship to: _____ Other: _____	Ultimate Consignee
	8. Mail Invoices to: _____ 9. Paying Office: _____ Other: _____ 10. Remarks: _____	

☐ Small Business-Small Purchase Set-aside. The following clause applies to all purchases not over \$10,000 when the purchase is to be made to a small business. It must be read orally to all contractors solicited by telephone.

FAR 52.219-4 "Notice of Small Business-Small Purchase Set-aside (Apr 1984)". Quotations under this acquisition are solicited from Small Business concerns only. Any acquisition resulting from this solicitation will be from a small business concern. Quotations received from concerns that are not small businesses shall not be considered and shall be rejected.
 (End of Clause)

[illegible]

APPENDIX D

CERTIFICATION--EMERGENCY REQUIREMENT

EMERGENCY REQUIREMENT

If an emergency requirement exists and the material is not available through standard stock system channels, CO approval must be obtained before the Regional Contracting Department can consider local purchase of the material. NAVSUP Manual Vol. II para. 22311 defines an emergency requirement as follows:

An emergency requirement is a requirement for material needed at once and essential to health, safety, or accomplishment of assigned mission.

I certify that in accordance with the above definition an emergency requirement exists. I further certify that, for items involving health, safety, or combat effectiveness, quality assurance inspection and testing will be performed to the maximum extent practicable prior to acceptance.

NSN of unavailable material: _____

Nomenclature: _____

Signature of Commanding Officer
or Designee

Typed or Printed Name and Rank

APPENDIX E

CERTIFICATION--STANDARD STOCK IS NOT SUITABLE

STANDARD STOCK MATERIAL IS NOT SUITABLE

If the procurement of nonstandard material is considered mandatory, CO approval must be obtained before the Regional Contracting Department can consider local purchase of material.

CERTIFICATION--STANDARD STOCK MATERIAL IS NOT SUITABLE

I certify that the standard stock item associated with the below listed NSN is not suitable and requested nonstandard material is considered to be essential. I further certify that, for items involving health, safety, or combat effectiveness, quality assurance inspection and testing will be performed to the maximum extent practicable prior to acceptance.

COG

NSN

NOMENCLATURE

Signature of Commanding Officer
or Designee

Typed or Printed Name and Rank

APPENDIX F

PROCUREMENT STATUS MEMORANDUM

Date 4/22/87

MEMORANDUM

From: Code 2027 Purside Procurement

To: USS

Via: Supervisor E. Rapado

Subj: Procurement Status, Requisition R54050-7094-3373/74/75

1. As discussed in our telephone conversation of _____, procurement action on subject requisition has been suspended for the following reason:

_____ Additional Funds required-Amount \$ _____

_____ Additional Information required

_____ Type of material

_____ Size, Capacity, dimensions

_____ End item

_____ Drawings required

_____ Need minimum salient characteristics

☒ _____ Commanding Officer certification for procurement of NSC item unless it is for food service personnel

_____ Certification of non-acceptability of standard stock item

_____ Foreign-made justification required

_____ Sole source justification

_____ Other (See attached) _____

If you have not responded by 5/8/87 (2 wks) your requisition will be returned.

2. Procurement action has been cancelled for the following reason:

_____ Your request

_____ No response to above referral

For additional information. Contact Betty Cottrell
at 235-1953.

APPENDIX G **PURCHASE REFERRAL**

PURCHASE REFERRAL
GPO-NISC-1700-5A (Rev. 6-54)

FOR OFFICIAL USE ONLY (When filled in)

FROM		TO
CONTRACTING OFFICER	CODE	
REFERENCE		ENCLOSURES
<p>• Further information is necessary before your purchase request (attached or referenced above) can be acted upon. Please reply to the number checked below. Statements must be factual and true. They may be used to support the Government's position in protest or litigation. PLEASE REPLY AS SOON AS POSSIBLE. No information contained in a contract, a bid or proposal shall be made available to the public, or to anyone within the Government not having a need to know.</p>		<p>• A reply is requested by _____</p>

- ☐ Is delivery of _____ acceptable? Delivery ARO or ARC means "After Receipt of Order" or "After Receipt of Contract." Based upon these definitions the actual delivery to the FOB point of _____ is estimated to be _____ after receipt of your authorization.
- ☐ May funds in the amount of \$ _____ be obligated? _____
- ☐ Is material offered by the low bidder, _____ equal in all material respects to the brand-named material specified in the solicitation? For your information a copy of the solicitation is attached showing the description and salient characteristics. See Sections B and C therein.
- ☐ You are requested to provide a technical analysis of the reasonableness of the prices quoted. Detail the basis on which you reach your conclusions.
- ☐ Estimated cost for proposed procurement is \$ _____. Competition must be obtained in all procurements exceeding \$1000.00, unless sufficient facts are made available to demonstrate that a valid reason exists to preclude competition. Forward complete purchase description or provide justification for non-competitive procurement.
- ☐ Federal or Military Specifications are mandatory with few exceptions. It is requested that enclosure(s) be reviewed to determine whether a Federal or Military Specification is applicable. If so, furnish ordering data from Section 6 of the specification.
- ☐ Your procurement request cites Specification _____.
Furnish ordering data from Section 6 of the cited specification.
- ☐ Your procurement request calls for technical data which requires that a DD Form 1423 be submitted.
- ☐ The attached procurement requests are returned cancelled per instructions of the person/code indicated under Remarks below. Action must be taken by your activity to cancel any reservations and/or commitments of funds.
- ☐ OTHER
- ☐ REMARKS

☐ CONTINUED

SIGNATURE	TELEPHONE	DATE
REPLY (Use reverse if necessary)		

SIGNATURE	TELEPHONE	DATE
-----------	-----------	------

FOR OFFICIAL USE ONLY (When filled in)

**PREPARATION OF PROCUREMENT REQUESTS FOR LOCAL
PURCHASE OF NONSTANDARD ITEMS**



DEPARTMENT OF THE NAVY
NAVAL SUPPLY SYSTEMS COMMAND
WASHINGTON DC 20376

TELEPHONE NUMBER
COMMERCIAL
AUCTION
IN REPLY REFER TO
4200
0323/0168-ABC

20 FEB 1986

From: Commander, Naval Supply Systems Command

**Subj: PREPARATION OF PROCUREMENT REQUESTS FOR LOCAL PURCHASE OF
NONSTANDARD ITEMS**

**Ref: (a) Meeting of NAVSUP/NSC Norfolk/NSC Charleston/NSC
Jacksonville/SPCC at NSC Norfolk 5-8 Nov 85**

**Encl: (1) Minimum Requirements of Preprocurement Processing
(Nonstandard Requisitions)**

1. Considerable attention has been given to the problem of improper preparation of procurement requests for nonstandard (i.e., non-stock numbered (NSN)) items. Often, little descriptive information is provided which will be helpful to procurement personnel in determining what the required item is, where it can be bought, how it is to be used, and how much it should cost. This decreases the chance that the item can be identified to a standard stock number and increases the chance the government will buy the wrong item or pay too much for what it gets.
2. The technical personnel at each Naval Supply Systems Command (NAVSUP) procurement activity act as the screening point for these requests as they are submitted by the customer. The technicians review the requests for existence of a stock numbered item, and for adequacy of submitted data. The technicians should attempt to obtain the required information from the customer or from local research resources, or reject the requisition if the data cannot be obtained. In other procurement activities, the purchasing organization must depend on the local activity's technical organization (such as at a Naval Shipyard) to perform this function.
3. We recognize that the local purchase and technical organizations have been addressing minimum standards for proper preprocurement processing with varying degrees of success. These standards are affected considerably by how well local customer activities do their part in preparation of nonstandard requisitions, and the degree to which technical groups are resourced to research and develop data for procurement requests. As a result, reference (a) was called to develop standard minimum requirements. Subsequent to reference (a), NAVSUP has reviewed local Naval Supply Center (NSC) standards and other input.
4. Enclosure (1) is the standards developed from this input and is to be followed by each technical group that performs a preprocurement processing function. While all the information cannot be provided by the technical personnel, requirements

Subj: PREPARATION OF PROCUREMENT REQUESTS FOR LOCAL PURCHASE OF
NONSTANDARD ITEMS

should be established with each customer to ensure the customer provides this data to the extent possible. While requisition rejection is not desirable from a customer support standpoint, especially for remote customers, rejection may become necessary if minimum data such as Federal Supply Code for Manufacturers (FSCM) and part number are not provided. It may behoove organizations to require clerical personnel to perform rejections for minimal data such as FSCM/part number, and permit the technicians to concentrate on the more difficult data, such as a description.

5. Each addressee should consider enclosure (1) as the minimum data to be provided to the procurement function for all non-standard requirements in order for the purchase request to be properly developed and processed to completion. Any questions or comments concerning enclosure (1) should be addressed to John Gordon (NAVSUP 0323), Autovon 225-6170.



R. H LEE

Distribution:

NSC Norfolk
NSC Oakland
NSC Charleston
NSC Jacksonville
NSC Pensacola
NSC Pearl Harbor
NSC San Diego
NSC Puget
ASO
SPCC
NRCC Philadelphia
NRCC Washington
NRCC Long Beach

MINIMUM REQUIREMENTS OF PREPROCUREMENT PROCESSING
(NONSTANDARD REQUISITIONS)

1. Indication that it has been screened against the Defense Logistics Services Center (DLSC) file or catalog products. Include DLSC printout if screening using DLSC remote terminal.
2. End item application identification if it is an integral part of a next higher order/system/assembly.
3. Federal Supply Code for Manufacturers as obtained from H-4 series Federal Cataloging Handbooks.
4. Manufacturer's or major vendor's part number.
5. Nomenclature (Common Noun Name)
(Identification taken from technical manual/equipment nameplate/vendor's catalog or other documentation.)
6. Description (physical characteristics)
Describe item and its intended function.
Vendor's catalog/description required if requirement is of a \$250.00 dollar value. This description should address dimensions, operating environment, circuit symbol number (if applicable), right or left hand thread, etc.
Indication of any commercial, federal or military specification - if known.
Pictures, drawings - if available - are to be included with requisition.
7. Suggested sources - Technical should provide any known sources, in addition to those shown on the requisition.
8. Estimated price of above \$1,000 should have sole source justification or specifications sufficient for competitive procurement.
9. Price Estimate - realistic estimate, and the basis from which the estimate was developed - vendor's catalog (and date of catalog), previous buy, etc. If the price is from a previous buy, then indicate, if possible, the quantity of the buy, any discounts, and other available data concerning the buy.
10. Technical manual - APL, COSAL or other government allowance or reference manual identification - if known - whatever is available. This is especially important in the avionics areas.
11. Federal Supply Group (FSG) up to \$10K price estimate on requisition.
Federal Supply Class (FSC) over \$10K price estimate on requisition.

12. TECHNICAL

Indication of technical review that clearly identifies the technical processor:

- Signature
- Initials
- Code

Date processed from Technical

13. CUSTOMER

Primary and alternate (if possible) requisition/Technical point of contact (customer) and telephone number (if accessible by phone).

APPENDIX I

CRITERIA FOR BEARER WALK-THRU NONSTANDARD REQUISITIONS

105

6 November 1986

MEMORANDUM

From: Code 105
To: Code 105.1
Code 105.13

Subj: CRITERIA FOR BEARER WALK-THRU, NONSTANDARD
REQUISITIONS

1. To process a bearer at either the pier sites or the NSRPU, the following criteria are required:

- Requisitions must be either IPG I or II (Priorities 1 through 8)
- Requisitions must be stamped Bearer and signed by the Supply Officer or Commanding Officer
- Requisitions must contain a statement of justification explaining the urgency of the requirement. Work stoppage is not sufficient, but some samples are:
 - a. Material required to meet scheduled deployment.
 - b. Material required to prevent/correct critical discrepancy.
 - c. Any statement to warrant special handling.

2. Ships indicated on "Hot Ship's List" will be treated as bearers if the activity desires.

3. To keep the bearer procedure consistent with standard stock procedures, the following items are not allowed:

- a. Clothing.
- b. Forms and publications.
- c. Common use consumables (hand tools, cleaning supplies, paints, office supplies).

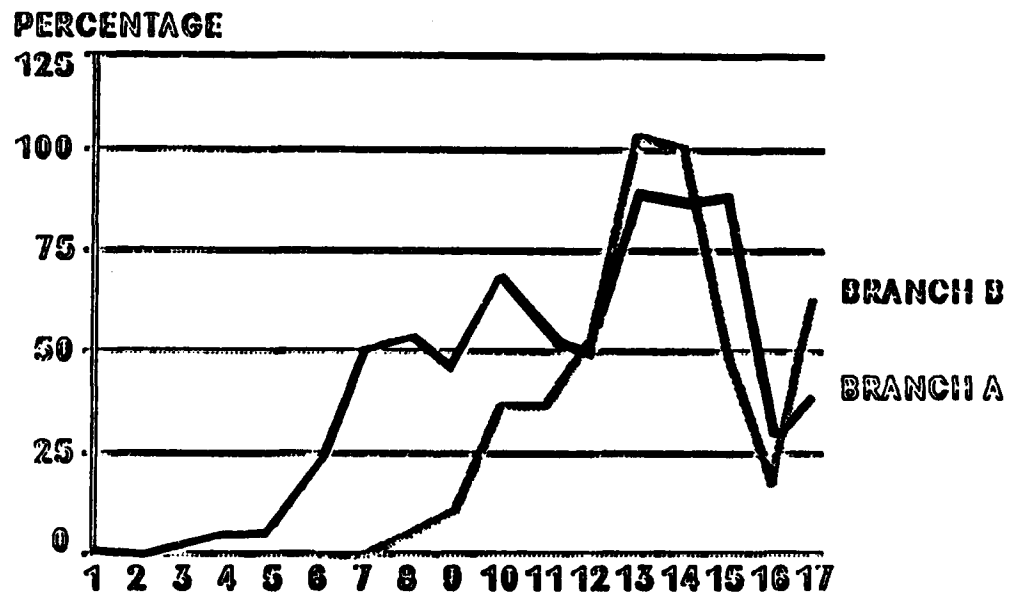
D.W. BENNETT

Copy to: Code 103
Code 200

APPENDIX J

APADE PRODUCTIVITY

PRODUCTIVITY



APPENDIX K

APADE CONVERSION SCENARIO

	WEEK											
	NUMBER											
BRANCH	1	2	3	4	5	6	7	8	9	10	11	12
BRANCH "A"	0	0	10	20	40	60	80	100	100	100	100	100
BRANCH "B"	100	100	0	0	10	20	40	60	80	100	100	100
BRANCH "C"	100	100	100	100	0	0	10	20	40	60	80	100
PERCENTAGE SHOP PRO- DUCTIVITY	66.7	66.7	36.79	40	16.79	26.79	43.3	60	73.3	86.7	93.5	100

APPENDIX L

SEMIANNUAL PURCHASE STATISTICS REPORT (NAVSUP 4200-26) (AFLOAT UNITS)

UIC: _____
REPORT PERIOD: FROM: _____
THRU: _____

TYPE ACTION:	LARGE BUSINESS	SMALL BUSINESS	FOREIGN CONCERN
	ACTIONS/DOLLARS	ACTIONS/DOLLARS	ACTIONS/DOLLARS
I. PURCHASE ORDERS:			
A. \$0-1000	____/____	____/____	____/____
B. \$1001-10000:			
(1) COMPETITIVE	____/____	____/____	____/____
(2) SOLE SOURCE	____/____	____/____	____/____
C. \$10001-25000:			
(1) COMPETITIVE	____/____	____/____	____/____
(2) SOLE SOURCE	____/____	____/____	____/____
II. BPA CALLS:			
A. \$0-1000	____/____	____/____	____/____
B. \$1001-10000:			
(1) COMPETITIVE	____/____	____/____	____/____
(2) SOLE SOURCE	____/____	____/____	____/____
C. \$10001-25000:			
(1) COMPETITIVE	____/____	____/____	____/____
(2) SOLE SOURCE	____/____	____/____	____/____
III. IMPREST FUND:	____/____	____/____	____/____
IV. SUBTOTAL:	____/____	____/____	____/____
V. PURCHASES OVER \$25,000:			
(1) COMPETITIVE	____/____	____/____	____/____
(2) SOLE SOURCE	____/____	____/____	____/____
VI. GRAND TOTAL:	____/____	____/____	____/____

NAVY SUPPLY ACQUISITION REGULATION SUPPLEMENT

APPENDIX M

LIST OF INTERVIEWEES

The following is a list of people who were interviewed or directly provided information necessary for this research. Interviews consisted of both telephone and personal visits. It should be noted that approximately fifteen people requested not to be named in this thesis and as such, shall not be listed. Additionally, none of the thirty-three contractors will be listed by name as most wished to remain anonymous.

Anastasi, R. CDR, SC, USN, Regional Contracting Department Director, Naval Supply Center, Puget Sound, Washington, 23 April 1987.

Anderson, M., Director Small Purchase Division, Naval Supply Center, San Diego, Ca., 3 February 1987.

Bano, E.J., CAPT, SC, USN, Director Regional Contracting Department, Naval Supply Center, Norfolk, Va., 26 March 1987.

Bass, T.C., LT, SC, USN, Supply Officer, USS Prebble, 31 March 1987.

Bennett, J.P., LT, SC, USN, Student, Naval Postgraduate School, Monterey, Ca., 23 April 1987.

Bergeron, L., Afloat Branch Manager, Naval Supply Center, Jacksonville, Fla., various, February-May 1987.

Beugnet, S., Supervisory Pierside Purchasing Agent, Naval Supply Center, Norfolk, Va., 1 April 1987.

Boggio, J.H., LCDR, SC, USN, Assistant Supply Officer USS Acadia, 4 March 1987.

Bosnego, J., Supervisory Pierside Purchasing Agent, Naval Supply Center, Norfolk, Va., 31 March 1987.

Brooks, D.M., LT, SC, USN, Supply Officer, USS Manitowac, 31 March 1987.

Cabarras, D., Pierside Purchasing Agent, Naval Supply Center, Norfolk, Va., 31 March 1987.

Canejo, SKCM, Inspector, COMNAVSURFPAC, Supply Management Inspection Team, San Diego, Ca., 21 May 1987.

Canfield, T.J., CAPT, SC, USN, Director of Procurement Management Review Division, Naval Supply Systems Command, Washington, D.C., 30 March 1987.

Capizzi, D.A., CDR, SC, USN, Special Assistant to Deputy Commander for Contracting Management, Naval Supply Systems Command, Washington, D.C., 31 March 1987.

Cherry, W., Director Technical Division, Naval Supply Center, Norfolk, Va., 26 March 1987.

Cohen, J.M., CDR, SC, USN, Director Resource Management Division, Naval Supply System Command, various, December 1986-March 1987.

Conley, J., Supervisor Pierside Procurement North Island, Naval Supply Center San Diego, North Island, Ca., 27 April 1987.

Cottongim, D.P., LT, SC, USN, Director of Small Purchase, Naval Supply Center, Puget Sound, Washington, 23 February 1987.

Cottrell, B., Lead Pierside Purchasing Agent, Naval Supply Center, San Diego, Ca., 28 April 1987.

Crandall, S.G., CDR, SC, USN, Supply Plans and Readiness Officer, COMNAVAIRLANT Staff, Norfolk, Va., March 1987.

Croll, J.M., CDR, SC, USN, Afloat Systems Officer, COMNAVAIRPAC Staff, North Island, Ca., 2 March 1987.

Daugherty, M., Pierside Purchasing Agent, Naval Supply Center, Long Beach Detachment, Long Beach, Ca., 30 April 1987.

Davis, R.M., LT, SC, USN, Special Assistant to Director of Small Purchase, Naval Supply Center, Norfolk, Va., various, January 1987-May 1987.

Dehnz, A.F., LT, SC, USN, Student, Naval Postgraduate School, Monterey, Ca., 18 February 1987.

Denigris, C.M., LT, SC, USN, Supply Officer, USS Charleston, 1 April 1987.

Dugas, P.M., LT, SC, USN, Customer Services Officer, USS Dixon, 3 March 1987.

Easton, F.B., CDR, SC, USN, Supply Officer, USS Dixon, 3 March 1987.

Ellison, J.D., LT, SC, USN, Student, Naval Postgraduate School, Monterey, Ca., 23 April 1987.

Estridge, S., Pierside Purchasing Agent Supervisor, Naval Supply Center, Charleston, S.C., 3 April 1987.

Fortin, P., Pierside Purchasing Agent, Naval Supply Center, San Diego, North Island, Ca., 4 March 1987.

Frankwich, J.A., LT, SC, USN, USS John F. Kennedy, 1 April 1987.

Freeburn, G.H., LT, SC, USN, Supply Officer, USS Hermitage, 31 March 1987.

Garrett, G.W., CDR, SC, USN, Supply Officer, RSG Norfolk, Va., 26 March 1987.

Gearey, B.P., LT, SC, USN, Student, Naval Postgraduate School, Monterey, Ca., 23 March 1987.

Geary, J.J., LT, SC, USN, Supply Officer, USS Pharris, 31 March 1987.

Gehrlich, J.R., CWO2, USN, Food Service Officer, USS Iwo Jima, 1 April 1987.

Gibbons, L.B., CDR, SC, USN, Supply Officer, USS John F. Kennedy, 1 April 1987.

Graf, A.J., CDR, SC, USN, Supply Officer, USS Tarawa, 28 April 1987.

Grove, D.B., LT, SC, USN, Logistics Officer, COMNAVSURFPAC Staff, Coronado, Ca., various, January-May 1987.

Gustafson, C.W., LCDR, SC, USN, Management Systems Officer, COMNAVAIRPAC Staff, North Island, Ca., various, February-March 1987.

Hagarty, J.M., LCDR, SC, USN, Assistant Supply Officer, USS Sierra, 3 April 1987.

Henry, Ann, Pierside Supervisory Purchasing Agent, Naval Supply Center, Norfolk, Va., various, January-May 1987.

Heuay, T.A., LCDR, SC, USN, Retail Supply Operations Officer, COMSUBLANT Staff, Norfolk, Va., 9 April 1987.

Hines, J., Pierside Customer Services Rep, Naval Supply Center, Charleston, S.C., 2 April 1987.

Holtzmilller, G., Deputy Director Regional Contracting Department, Naval Supply Center, Norfolk, Va., 12 May 1987.

Honeycutt, T.W., LT, SC, USN, Student, Naval Postgraduate School, Monterey, Ca., various, February-April 1987.

Kolasinski, J.T., LT, SC, USN, Supply Officer, USS Sellers, 3 April 1987.

Kufrovich, S., Lead Pierside Purchasing Agent, Naval Supply Center San Diego, Long Beach Detachment, Long Beach, Ca., 30 April 1987.

Kimball, D.W., CDR, SC, USN, Supply Officer, USS America, 1 April 1987.

Lange, L., LT, SC, USN, Force Supply Services Officer, COMSUBLANT Staff, Norfolk, Va., 9 April 1987.

Larmee, D.H. Jr., CDR, SC, USN, Supply Officer, USS Emory S. Land 1 April 1987.

Main, A.M. III, CDR, SC, USN, Readiness Officer, COMNAVSURFLANT Staff, Norfolk, Va., various, December 1986-May 1987.

Marshall, SKCS, Leading Storekeeper, USS Claude V. Ricketts, 1 April 1987.

Martin, J.D., LCDR, SC, USN, Supply Management Division Head, NSCS, Athens, Ga., 21 May 1987.

Mathews, L., Pierside Supervisory Purchasing Agent, Naval Supply Center, Norfolk, Va., 27 March 1987.

McCloud, J.E., LT, SC, USN, Supply Officer, USS Portland, 31 March 1987.

McWherter, M.E., CDR, SC, USN, Director of Contracting, Naval Supply Center, San Diego, Ca., 3 March 1987.

Meixner, L., Lead Pierside Purchasing Agent, Naval Supply Center Oakland, Alameda, Ca., 1 May 1987.

Minter, S., Pierside Purchasing Agent, Naval Supply Center San Diego, San Diego, Ca., 28 April 1987.

Moore, J.D., LCDR, SC, USN, Director of Small Purchase, Naval Supply Center San Diego, Long Beach Detachment, Long Beach, Ca., 6 May 1987.

Neilsen, T., Director of Technical Division, Naval Supply Center San Diego, San Diego, Ca., 3 February 1987.

Nowicki, H.V. Supervisor Fleet Purchase Center, Naval Supply Center Charleston, Charleston, S.C., 3 April 1987.

Oates, SKC, Leading Storekeeper, USS Peoria, 28 April 1987.

Patterson, C., Pierside Purchasing Agent, Naval Supply Center Oakland, Alameda, Ca., 1 May 1987.

Perry, W.K. Jr., CDR, SC, USN, Supply Officer, USS Holland, 3 April 1987.

Pointer, B.R., CDR, SC, USN, Director of Contracting, Naval Supply Center, Charleston, S.C., various, February-May 1987.

Popp, R.G., CDR, SC, USN, Assistant Supply Officer, USS Dixon, 3 March 1987.

Rapaído, E., Supervisory Pierside Purchasing Agent, Naval Supply Center, San Diego, Ca., various, February-May 1987.

Ritter, R.K., CDR, SC, USN, Director of Small Purchase, Naval Supply Center Norfolk, Va., 26 March 1987.

Sargent, W., LCDR, SC, USN, Supply Officer, USS Iwo Jima, 2 April 1987.

Skratulia, M.W., LT, SC, USN, Navy Acquisition Contracting Officer intern, Naval Supply Center, San Diego, Ca., various, January-May 1987.

Sloper, M., Management Analyst, Naval Supply Systems Command, Washington, D.C., various, February 1987-May 1987.

Sorenson, C.E., CDR, SC, USN, Supply Officer, USS Truxton, 28 April 1987.

Stillwell, S., Pierside Purchasing Agent, Naval Supply Center, San Diego, Ca., 28 April 1987.

Sueur, R., LCDR, SC, USN, Director of Small Purchase, Naval Supply Center, Oakland, Ca., various, February 1987-May 1987.

Vinson, C.M., CDR, SC, USN, Supply Plans and Procedures Officer, COMNAVSURFPAC Staff, Coronado, Ca., various, January 1987-May 1987.

West, M.A., LT, SC, USN, Customer Service Officer, Naval Supply Center, Charleston, S.C., 3 April 1987.

Wheeler, C.S., LT, SC, USN, Director of Small Purchase, Naval Regional Contracting Center, Philadelphia, Pa., 9 April 1987.

Whitlock, A., LCDR, SC, USN, SMI Inspector, Readiness Support Group, Charleston, S.C., 2 April 1987.

Williams, S., Supervisory Purchasing Agent, Naval Supply Center San Diego, Point Loma, Ca., 3 March 1987.

Wilson, E.G., LT, SC, USN, Supply Officer, USS Hewitt, 28 April 1987.

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2. U.S. Department of Defense, General Services Agency, National Space and Aeronautics Agency, Federal Acquisition Regulation, Washington, D.C.: Government Printing Office, May 1986.
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4. "Grumman Alters Spares Procurement Policy Amid Overpricing Controversy," Aviation Week and Space Technology, pp. 88-89, 15 July 1985.
5. Commander, Naval Supply Systems Command message of 16 October 1985, Subject: Pierside Purchasing.
6. Commander In Chief, U.S. Pacific Fleet message of 25 October 1985, Subject: Pierside Contracting.
7. Young, Gerri, "Pierside Procurement--A Plus at the Piers," Supply Corps Newsletter, pp. 20-21, July/August 1986.
8. Commander, Naval Supply Systems Command message of 5 December 1985, Subject: Pierside Purchasing.
9. "Horror Stories," National Review, pp. 19-20, 6 September 1985.
10. "Adjusting the Bottom Line," Time, p. 23, 18 February 1985.
11. "Over the Side--Waste and Fraud in the Navy," Time, p. 18, 5 August 1985.
12. Commander, Naval Air Force, U.S. Atlantic Fleet Newsletter, Subject: Afloat Procurement. Undated.
13. Cohen, Jay M. Commander, Naval Supply Systems Command point paper of 19 February 1987, Subject: Pierside Purchasing Initiative.

14. Grove, D.B., Commander, Naval Surface Forces, U.S. Pacific Fleet point paper of 25 February 1987, Subject: Procurement Afloat.
15. Naval Supply Center Norfolk memo--undated.
16. Commander, Naval Supply Systems Command message of 27 September 1985, Subject: Pierside Purchasing.
17. Naval Supply Center San Diego message of 3 November 1985, Subject: Pierside Purchasing; Sitrep #1.
18. Naval Supply Center San Diego message of 10 October 1985, Subject: Pierside Purchasing.
19. Naval Supply Center Norfolk message of 11 October 1985, Subject: Pierside Purchasing.
20. U.S. Department of Defense. Navy, Naval Supply Systems Command, Navy Supply Acquisition Regulation Supplement (SUPARS), Washington, D.C.: Government Printing Office, 1986.
21. Navy Supply Corps School student guide, Topic: Purchase Ashore/Pierside Purchasing.
22. Huff, Kurt R., Bates, Randle D., Professional, Organizational, and Training Weaknesses in Small Purchase within the Department of the Navy, Master's Thesis, Naval Postgraduate School, Monterey, California, June 1984.
23. U.S. Department of Defense. Navy, Afloat Supply Procedures, NAVSUP Publication 485, Washington, D.C.: Government Printing Office, 1985.
24. Kelly, Daniel C., "APADE or How I Learned to Love Rather than Fear 'BV' Status," Navy Supply Corps Newsletter, pp. 17-18, January/February 1987.
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